

SENIOR HOUSING PROPERTIES TRUST  
Form DEF 14A  
April 08, 2019

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the  
Registrant

**Check the appropriate box:**

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §.240.14a-12

**Senior Housing Properties Trust**

*(Name of Registrant as Specified In Its Charter)*

*(Name of Person(s) Filing Proxy Statement, if other than the Registrant)*

**Payment of Filing Fee (Check the appropriate box):**

**No fee required.**

**Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.**

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined) :

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

**Fee paid previously with preliminary materials.**

**Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.**

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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## **Notice of 2019 Annual Meeting of Shareholders and Proxy Statement**

Tuesday, May 21, 2019 at 9:30 a.m., Eastern time

Two Newton Place, 255 Washington Street, Suite 100, Newton, Massachusetts 02458

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## **Business at a Glance**





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## LETTER TO OUR SHAREHOLDERS FROM OUR BOARD OF TRUSTEES

Dear Fellow Shareholders:

Please join us for our annual meeting on Tuesday, May 21, 2019. The business to be conducted at the meeting is explained in the attached Notice of Meeting and Proxy Statement. We believe furnishing these materials over the internet expedites shareholders' receipt of these important materials while lowering cost and reducing the environmental impact of our annual meeting.

Please be assured that our Board takes seriously our role in the oversight of our Company's long term business strategy, which is the best path to long term value creation for you, our shareholders. We are proud that our total return to shareholders exceeded the SNL U.S. REIT Healthcare Index by 9.6% for the three year period ended December 31, 2018. Some highlights of the implementation of our long term business strategy in 2018 were:

divesting of five senior living communities for a \$262 million aggregate gain on sale and redeploying the proceeds to pay down debt and expand our medical office and life sciences portfolio;

acquiring four Class A medical office and life science properties;

issuing \$500 million of 4.75% ten year senior unsecured notes; and

having numerous properties recognized for awards by the Building Owners and Managers Association International and the U.S. Environmental Protection Agency.

We have begun what we expect to be a multiyear process of re-examining our fundamental governance policies as we understand that good governance is critical to building and keeping shareholder confidence and to long term value creation. Shareholder engagement and feedback have been critical components of this re-examination. Our initial steps include engaging an executive search consulting firm to help us identify and vet qualified and diverse board candidates so that we can expand and refresh our Board, adopting a proxy access bylaw and amending our Bylaws so that we have a plurality vote standard for contested elections of our Trustees. We discuss our plans in more detail in the accompanying Proxy Statement.

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We thank you for your investment in Senior Housing Properties Trust and for the confidence you put in this Board to oversee your interests in our business.

**April 5, 2019**

Jennifer B.  
Clark  
John L.  
Harrington  
Lisa Harris  
Jones  
Adam D.  
Portnoy  
Jeffrey P.  
Somers

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## NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS

**Tuesday, May 21, 2019**

**9:30 a.m., Eastern time**

*Two Newton Place, 255 Washington Street, Suite 100  
Newton, Massachusetts 02458*

### ITEMS OF BUSINESS

1. Elect the Trustee nominees identified in the accompanying Proxy Statement to the Company's Board of Trustees;
2. Advisory vote to approve executive compensation;
3. Ratify the appointment of Ernst & Young LLP as independent auditors to serve for the 2019 fiscal year; and
4. Transact such other business as may properly come before the meeting and at any postponements or adjournments of the meeting.

### RECORD DATE

You can vote if you were a shareholder of record as of the close of business on February 28, 2019.

### PROXY VOTING

Shareholders as of the record date are invited to attend the 2019 Annual Meeting. If you cannot attend in person, please vote in advance of the 2019 Annual Meeting by using one of the methods described in the accompanying Proxy Statement.

**April 5, 2019**  
Newton, Massachusetts

By Order of the Board of Trustees,

Jennifer B. Clark

*Secretary*

Please sign and return the proxy card or voting instruction form or use telephone or internet methods to authorize a proxy in advance of the 2019 Annual Meeting. See the "Proxy Materials and Voting Information" section on page 36 for information about how to authorize a proxy by telephone or internet or how to attend the 2019 Annual Meeting and vote your shares in person.

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## PLEASE VOTE

It is very important that you vote to play a part in the future of our Company. The Nasdaq Stock Market LLC (the "Nasdaq") rules do not allow a broker, bank or other nominee who holds shares on your behalf to vote on nondiscretionary matters without your instructions.

## PROPOSALS THAT REQUIRE YOUR VOTE

PROPOSAL	MORE INFORMATION	BOARD RECOMMENDATION	VOTES REQUIRED FOR APPROVAL
1 Election of Trustees	Page 12	FOR	Plurality of all votes cast*
2 Advisory vote to approve executive compensation**	Page 22	FOR	Majority of all votes cast
3 Ratification of independent auditors**	Page 32	FOR	Majority of all votes cast

\*

The Board of Trustees has adopted a resignation policy pursuant to which an incumbent Trustee who fails to receive a majority of votes cast in an uncontested election will offer to resign from the Board of Trustees and, in such circumstance, the Board of Trustees will decide whether to accept or reject the resignation offer.

\*\*

Non-binding advisory vote.

### You can vote in advance in one of three ways:

via the internet Visit [www.proxyvote.com](http://www.proxyvote.com) and enter your 16 digit control number provided in your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form before 11:59 p.m., Eastern time, on May 20, 2019 to authorize a proxy **VIA THE INTERNET.**

by phone Call 1-800-690-6903 if you are a shareholder of record and 1-800-454-8683 if you are a beneficial owner before 11:59 p.m., Eastern time, on May 20, 2019 to authorize a proxy **BY TELEPHONE.** You will need the 16 digit control number provided on your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form.

by mail Sign, date and return your proxy card if you are a shareholder of record or voting instruction form if you are a beneficial owner to authorize a proxy **BY MAIL.**

If the meeting is postponed or adjourned, these times will be extended to 11:59 p.m., Eastern time, on the day before the reconvened meeting.

**PLEASE VISIT: [www.proxyvote.com](http://www.proxyvote.com)**

To review and download easy to read versions of our Proxy Statement and Annual Report.

To sign up for future electronic delivery to reduce the impact on the environment.

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April 5, 2019

## PROXY STATEMENT

The Board of Trustees (the "Board") of Senior Housing Properties Trust (the "Company," "we," "us" or "our") is furnishing this proxy statement and accompanying proxy card (or voting instruction form) to you in connection with the solicitation of proxies by the Board for the 2019 annual meeting of shareholders of the Company. The meeting will be held at Two Newton Place, 255 Washington Street, Suite 100, Newton, Massachusetts 02458 on Tuesday, May 21, 2019, at 9:30 a.m., Eastern time, and any adjournments or postponements thereof (the "2019 Annual Meeting"). We are first making these proxy materials available to shareholders on or about April 5, 2019.

Only owners of record of common shares of beneficial interest of the Company ("Common Shares") as of the close of business on February 28, 2019, the record date for the meeting, are entitled to notice of, and to vote at, the meeting and at any postponements or adjournments of the meeting. Holders of Common Shares are entitled to one vote for each Common Share held on the record date. On February 28, 2019, there were approximately 237,729,900 Common Shares issued and outstanding.

The mailing address of the Company's principal executive offices is Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2019 ANNUAL MEETING TO BE HELD ON TUESDAY, MAY 21, 2019.**

The Notice of 2019 Annual Meeting, Proxy Statement and Annual Report to Shareholders for the year ended December 31, 2018 are available at [www.proxyvote.com](http://www.proxyvote.com).



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## CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

### **Review of Corporate Governance Policies and Shareholder Engagement**

In recognition of the relationship between corporate governance and long term performance and as a result of engagement with and feedback from our shareholders, the Board has embarked on a review of the Company's corporate governance principles. The Board expects that corporate governance reform will be a multi-year process and, as it weighs various alternatives, the Board is prioritizing its consideration based on a review of best practices and input from our shareholders. Based on these principles, the Board has established the following priorities and taken the following steps:

had meaningful engagements with many of our shareholders;

retained Korn Ferry, a leading executive search consulting firm, to help identify and evaluate candidates to expand and refresh the Board;

adopted a proxy access bylaw (see page 9); and

amended our Bylaws so that, in a contested election, our Trustees are elected by a plurality of the votes cast by our shareholders (see page 9).

The Board has also instituted a number of complementary mechanisms to allow shareholders to communicate their points of view, including:

the annual advisory vote to approve executive compensation (see page 22);

our commitment to thoughtfully consider shareholder proposals submitted to the Company;

the ability to attend and voice opinions at the annual meeting of shareholders; and

the ability to direct communications to individual Trustees or the entire Board (see page 10).

As the Board continues on the path to enhanced good governance, we appreciate your support of the Board and these initiatives.

### **Board Composition, Expansion and Refreshment**

We are currently governed by a five member Board of Trustees. Ensuring the Board is comprised of Trustees who bring diverse viewpoints and perspectives, exhibit a variety of skills, professional experience and backgrounds and effectively represent the long-term interests of shareholders is a top priority of the Board and the Nominating and Governance Committee. The Board is actively seeking to expand and refresh its composition for several reasons, including to increase the ratio of Independent Trustees to Managing Trustees, create more skill mix and diversity, ensure a smooth transition if and when a Trustee decides to retire or otherwise leaves the Board or does not receive a majority of shareholder votes cast, ensure that the Board is comprised of individuals with a diverse set of backgrounds, perspectives and skills and allow the Board to retire members who fail to receive a requisite amount of shareholder support. The Board believes that continuity is important to the effective conduct of our business and expects the expansion and refreshment process will take place over several years. To facilitate these efforts, the Board has retained Korn Ferry, a leading executive search and consulting firm, to act as an advisor and to assist the Nominating and Governance Committee in:

identifying and evaluating potential trustee candidates;

creating an even playing field among candidates identified regardless of source;

using the criteria, evaluations and references to prioritize candidates for consideration regardless of source; and

assisting in attracting and vetting candidates.

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**THE BOARD BELIEVES THAT ITS MEMBERS SHOULD:**

exhibit high standards of integrity and ethics;

have an understanding of healthcare policy, trends and regulations, and medical office, life science and healthcare business trends;

have business acumen, practical wisdom, ability to exercise sound judgment in a congenial manner and be able to make independent analytical inquiries;

have diverse perspectives, backgrounds and experiences, including professional background, gender, ethnicity and skills; and

have a strong record of achievements;

be committed to serving on the Board over a period of years in order to develop knowledge about the Company's operations and have sufficient time and availability to devote to Board and committee matters.

have knowledge of the commercial real estate ("CRE") industry and real estate investment trusts ("REITs"), including medical office, life sciences and senior living markets;

In addition, the Board has determined that the Board, as a whole, should strive to have the right mix of characteristics and skills necessary to effectively perform its oversight responsibilities. The Board believes that Trustees with one or more of the following professional skills or experiences can assist in meeting this goal:

work experience with a proven record of success in his or her field;

familiarity with public capital markets;

risk oversight/management expertise;

experience at a strategic or policymaking level in a business, government, non-profit or academic organization of high standing;

accounting and finance, including a high level of financial literacy and understanding of the impact of financial market trends on the real estate industry;

service on other public company boards and committees;

operating business and/or transactional experience;

qualifying as a Managing Trustee in accordance with the requirements of our governing documents; and

management/leadership experience;

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the Securities and Exchange Commission ("SEC") and our governing documents.

knowledge of the Company's historical business activities;

The Nominating and Governance Committee and the Board consider the qualifications, characteristics and skills of Trustees and Trustee candidates individually and in the broader context of the Board's overall composition when evaluating potential nominees for election as Trustee. The Nominating and Governance Committee and the Board also expect to ask Korn Ferry to assist in considering the qualifications of, and evaluating, potential nominees.

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	<b>John L. Harrington</b>	<b>Lisa Harris Jones</b>	<b>Jeffrey P. Somers</b>	<b>Jennifer B. Clark</b>	<b>Adam D. Portnoy</b>
High level of financial literacy and capital markets experience	X		X		X
Operating business experience	X	X			X
Commercial real estate or REIT experience, including experience with the medical office, life sciences and senior living markets	X		X	X	X
Understanding of healthcare policy, trends and regulations, and medical office, life science and healthcare business trends	X	X	X	X	X
Management/Leadership experience	X	X	X	X	X
Knowledge of the Company's historical business activities	X	X	X	X	X
Familiarity with public capital markets			X	X	X
Risk oversight/management expertise	X	X	X	X	X
Service on other public company board and committees	X	X	X	X	X
Gender or ethnic diversity		X		X	
Managing Trustee				X	X
Independent Trustee	X	X	X		

**Key Responsibilities of the Board**

## Oversight of Strategy

The Board oversees and monitors strategic planning.

Business strategy is a key focus at the Board level and embedded in the work of Board committees.

## Oversight of Risk

The Board oversees risk management.

Board committees, which meet regularly and report back to the full Board, play significant roles in carrying out the risk oversight function.

## Succession Planning

The Board oversees succession planning and talent development for senior executive positions.

The Nominating and Governance Committee makes an annual report to the Board on succession planning.

Company management is charged with executing business strategy and provides regular performance updates to the Board.

Company management is charged with managing risk, through robust internal processes and effective internal controls.

In the event of a succession, the entire Board may work with the Nominating and Governance Committee, or the Independent Trustees, as applicable, to nominate and evaluate potential successors.

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## **The Board's Role in Oversight of Risk Management**

The Board is elected by shareholders to oversee the Company's business and long term strategy. As part of fulfilling its responsibilities, the Board oversees the safeguarding of the Company's assets, the maintenance of appropriate financial and other internal controls and the Company's compliance with applicable laws and regulations. Inherent in these responsibilities is the Board's understanding and oversight of the various risks the Company faces. The Board considers that risks should not be viewed in isolation and should be considered in virtually every business decision and as part of the Company's business strategy.

The Board oversees risk as part of its general oversight of the Company. Oversight of risk is addressed as part of various Board and Board committee activities and through regular and special Board and Board committee meetings. The day to day business of the Company is conducted by our manager, The RMR Group LLC ("RMR LLC"), and RMR LLC and the Company's officers and Director of Internal Audit are responsible for incorporating risk management in their activities. The Company's Director of Internal Audit reports to the Audit Committee and provides the Company advice and assistance with the Company's risk management function.

In discharging their oversight responsibilities, the Board and Board committees review regularly a wide range of reports RMR LLC and other service providers provide, including:

reports on market and industry conditions;

operating and regulatory compliance reports;

financial reports;

reports on risk management activities;

regulatory and legislative updates that may impact the Company;

reports on the security of the Company's information technology processes and the Company's data; and

legal proceedings updates and reports on other business related matters.

The Board and Board committees discuss these matters among themselves and with representatives of RMR LLC, officers of the Company, the Director of Internal Audit, legal counsel, the Company's independent auditors and other professionals, as appropriate.

The Audit Committee takes a leading role in helping the Board fulfill its responsibilities for oversight of the Company's financial reporting, internal audit function, risk management and the Company's compliance with legal and regulatory requirements. The Board and Audit Committee review periodic reports from the Company's independent auditors regarding potential risks, including risks related to the Company's internal control over financial reporting. The Audit Committee also reviews, approves and oversees an internal audit plan developed by the Company's Director of Internal Audit with the goal of helping the Company systematically evaluate the effectiveness of its risk management, control and governance processes on an annual basis. The Audit Committee considers risks relating to cybersecurity, receiving regular reports from management regarding cybersecurity risks and countermeasures being undertaken or considered by the Company, including updates on the internal and external cybersecurity landscape and relevant technical developments. The Audit Committee meets at least quarterly and reports its findings to the Board. The Audit Committee also meets periodically with the Company's Director of Internal Audit to review the results of the Company's internal audits, and directs or recommends to the Board actions or changes it determines appropriate to enhance or improve the effectiveness of the Company's risk management.

The Compensation Committee whose duties are detailed in its charter, among other duties, evaluates the performance of the Company's Director of Internal Audit and RMR LLC's performance under the Company's business and property management agreements, including any perceived

risks created by compensation arrangements. Also, the Compensation Committee and the Board consider that the

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Company has a share award program that requires share awards to executive officers to vest over a period of years. The Company believes that the use of share awards vesting over time rather than stock options mitigates the incentives for the Company's management to undertake undue risks and encourages management to make longer term and appropriately risk balanced decisions.

It is not possible to identify all of the risks that may affect the Company or to develop processes and controls to eliminate all risks and their possible effects, and processes and controls employed to address risks may be limited in their effectiveness. Moreover, it is necessary for the Company to bear certain risks to achieve its objectives. As a result of the foregoing and other factors, the Company's ability to manage risk is subject to substantial limitations.

To learn more about the risks facing the Company, you can review the matters discussed in Part I, "Item 1A. Risk Factors" and "Warning Concerning Forward Looking Statements" in our Annual Report to Shareholders for the year ended December 31, 2018 ("Annual Report"). The risks described in the Annual Report are not the only risks facing the Company. Additional risks and uncertainties not currently known or that may currently be deemed to be immaterial also may materially adversely affect the Company's business, financial condition or results of operations in future periods.

## **Trustee Independence**

Under the corporate governance listing standards of the Nasdaq, the Board must consist of a majority of Independent Trustees. Our governing documents also require that a majority of the Board be Independent Trustees. Under our governing documents, Independent Trustees are Trustees who are not employees of RMR LLC, are not involved in the Company's day to day activities and who meet the qualifications for independence under the applicable rules of the Nasdaq and the SEC.

The Board affirmatively determines whether Trustees have a direct or indirect material relationship with the Company, including the Company's subsidiaries, other than serving as the Company's Trustees or trustees or directors of the Company's subsidiaries. In making independence determinations, the Board observes the Nasdaq and SEC criteria, as well as the criteria set forth in our governing documents. When assessing a Trustee's relationship with the Company, the Board considers all relevant facts and circumstances, not merely from the Trustee's standpoint, but also from that of the persons or organizations with which the Trustee has an affiliation. Based on this review, the Board has determined that John L. Harrington, Lisa Harris Jones and Jeffrey P. Somers currently qualify as independent trustees under applicable Nasdaq and SEC criteria and as Independent Trustees under our governing documents. In making these independence determinations, the Board reviewed and discussed additional information provided by the Trustees and the Company with regard to each of the Trustees' relationships with the Company, RMR Inc. or RMR LLC and the other companies to which RMR LLC or its subsidiaries provide management services. The Board has concluded that none of these three Trustees possessed or currently possesses any relationship that could impair his or her judgment in connection with his or her duties and responsibilities as a Trustee or that could otherwise be a direct or indirect material relationship under applicable Nasdaq and SEC standards.

## **Executive Sessions of Independent Trustees**

Pursuant to the Company's Governance Guidelines, our Independent Trustees are expected to meet at least twice per year in regularly scheduled meetings at which only Independent Trustees are present. Our Independent Trustees also meet separately with the Company's officers, with the Company's Director of Internal Audit and with the Company's independent auditors. The presiding Trustee for purposes of leading Independent Trustee sessions will be the Lead Independent Trustee, unless the Independent Trustees determine otherwise.

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## **Board Leadership Structure**

In accordance with our governing documents, the Board is comprised of five Trustees, including three Independent Trustees and two Managing Trustees, and our Board is divided into three classes, with each Trustee of each class elected at an annual meeting of shareholders serving for a term that continues until the third annual meeting of shareholders following his or her election and until his or her successor is elected and qualifies. All Trustees play an active role in overseeing the Company's business both at the Board and committee levels. As set forth in the Company's Governance Guidelines, the core responsibility of our Trustees is to exercise sound, informed and independent business judgment in overseeing the Company and its strategic direction. Our Trustees are skilled and experienced leaders and currently serve or have served as members of senior management in public and private for profit organizations and law firms, and have also served in academia. Our Trustees may be called upon to provide solutions to various complex issues and are expected to, and do, ask hard questions of the Company's officers and advisers. The Board is small, which facilitates informal discussions and communication from management to the Board and among Trustees.

Three of our Trustees, including one of our nominees for election at the 2019 Annual Meeting, are independent under the applicable Nasdaq and SEC criteria and our governing documents. All of the members of the Audit Committee, Nominating and Governance Committee and Compensation Committee are independent under the applicable listing requirements and rules of the Nasdaq and other applicable laws, rules and regulations, including those of the SEC. As set forth in our governing documents, two of our Trustees are Managing Trustees, persons who have been employees, officers or directors of RMR LLC or who have been involved in the Company's day to day activities for at least one year prior to his or her election as Trustees.

## **Lead Independent Trustee**

We have a Lead Independent Trustee who is selected annually by the vote of a majority of our Independent Trustees. We do not have a Chairman of the Board. Currently, Ms. Harris Jones serves as our Lead Independent Trustee. Our Lead Independent Trustee has well-defined, substantive responsibilities that include, among others that may be assigned from time to time:

presiding at all meetings of the Board at which the Managing Trustees are not present, including executive sessions of the Independent Trustees;

serving as liaison between the Independent Trustees and the senior management team;

having the authority to call meetings of the Independent Trustees of the Board;

assisting the Compensation Committee in its annual evaluation of the performance of the Company's management;

placing and reviewing items on Board meeting agendas; and

considering suggestions for agenda items by other Independent Trustees.

## **Code of Business Conduct and Ethics and Committee Governance**

The Board is committed to corporate governance that promotes the long term interests of our shareholders. The Board has established Governance Guidelines that provide a framework for effective governance. The Board regularly reviews developments in corporate governance and updates our Governance Guidelines and other governance materials as it deems necessary and appropriate.

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The Company has also adopted a Code of Business Conduct and Ethics (the "Code") to, among other things, provide guidance to our Trustees and officers and RMR LLC, its officers and employees and its parent's and subsidiaries' directors, officers and employees to ensure compliance with applicable laws and regulations.

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The Board has an Audit Committee, Compensation Committee and Nominating and Governance Committee. The Audit Committee, Compensation Committee and Nominating and Governance Committee each have adopted a written charter, and reviews its written charter on an annual basis to consider whether any changes are required.

Our corporate governance materials are available for review in the governance section of our website, including our Governance Guidelines, the charter for each Board committee, the Code and information about how to report concerns or complaints about accounting, internal accounting controls or auditing matters and any violations or possible violations of the Code and how to communicate with our Trustees, individually or as a group. To access these documents on the Company's website visit [www.snhreit.com](http://www.snhreit.com).

## **Vote Standard for Election of Trustees and Trustee Resignation Policy**

In April 2019, the Board adopted an amendment to our Bylaws to provide that, in contested elections, our Trustees will be elected by a plurality of the votes cast by our shareholders. This amendment was adopted to ensure that, in contested elections, those Trustee nominees who receive the largest number of votes are elected by shareholders to the Board. This amendment aligns our voting practices for contested elections with the guidelines of many institutional shareholders and proxy advisory firms and is consistent with best practices.

Our governing documents provide that if an incumbent Trustee does not receive a majority of the votes cast in an uncontested election, the Trustee will submit an offer to resign from the Board. In such circumstance, the Nominating and Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation offer, or whether other action should be taken. The Board will act on the resignation offer taking into account the recommendation of the Nominating and Governance Committee and make its decision within 90 days following the certification of the election results.

## **Adoption of Proxy Access Bylaw**

In April 2019, after extensive analysis and shareholder engagement, the Nominating and Governance Committee recommended, and the Board adopted, a proxy access bylaw pursuant to which a shareholder, or a group of up to 20 shareholders, owning at least three percent of the outstanding Common Shares continuously for at least three years, may nominate and include in the Company's proxy materials for an annual meeting Trustee nominees constituting up to the greater of two nominees or 20% of the number of Trustees on the Board that holders of our Common Shares are entitled to elect, provided that for so long as the Company has a classified Board of less than nine Trustees, such number of Trustee nominees will be reduced so that for any annual meeting it does not exceed one-half of the number of Trustees to be elected at the meeting as noticed by the Company rounded down to the nearest whole number (but not rounded down as a result of this proviso to less than one). Shareholders making such a nomination and their nominees must also satisfy the informational, documentation and other requirements specified by Section 2.18 of our Bylaws.

## **Nominations for Trustees**

The Nominating and Governance Committee is responsible for identifying and evaluating nominees for Trustee and for recommending to the Board nominees for election at each annual meeting of shareholders. The Nominating and Governance Committee may consider candidates suggested by the Company's Trustees, officers or shareholders or by others. Shareholders who would like to recommend a nominee for the position of Trustee should submit their recommendations in writing by mail to the Chair of the Nominating and Governance Committee, c/o Senior Housing Properties Trust, Secretary, at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458 or by email to [secretary@snhreit.com](mailto:secretary@snhreit.com). Any such recommendation shall include a description of the candidate's qualifications for Board service, the candidate's written consent to be considered for nomination and to serve if nominated and elected, as well as the addresses and telephone numbers for contacting the shareholder and the candidate for more information. The Nominating and Governance Committee may



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request additional information about the shareholder recommended nominee or about the shareholder recommending the nominee. Recommendations by shareholders will be considered by the Nominating and Governance Committee in its discretion using the same criteria as other candidates it considers.

As noted above, a shareholder, or a group of up to 20 shareholders, owning at least three percent of the outstanding Common Shares continuously for at least three years may utilize our proxy access bylaw to nominate and include in the Company's proxy materials Trustee candidate(s) for election at an annual meeting of shareholders provided that the shareholder(s) and the nominee(s) satisfy the informational, documentation and other requirements specified by Section 2.18 of our Bylaws.

Shareholders seeking to nominate one or more individuals as a Trustee candidate without relying on our proxy access bylaw shall comply with the advance notice requirements for shareholder nominations set forth in Section 2.14 of our Bylaws, which include, among other things, requirements as to the proposing shareholder's timely delivery of advance notice, continuous requisite ownership of Common Shares and submission of specified documentation and information.

## **Communications with the Board**

The Board has established a process to facilitate communication by shareholders and other interested parties with Trustees. Communications should be addressed to Trustees in care of the Secretary, Senior Housing Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458 or by email to [secretary@snhreit.com](mailto:secretary@snhreit.com).

## **Sustainability**

Our business strategy incorporates and values environmental sustainability principles. We seek to operate our properties in a manner that improves the environmental efficiency of their operations. We regularly consider ways to improve our internal culture and the communities in which we operate. Our environmental sustainability and community engagement strategies are primarily implemented by our manager, RMR LLC, and focus on a complementary set of objectives, including the following:

*Responsible Investment:* During the acquisition of properties, RMR LLC assesses, among other things, environmental sustainability opportunities and climate related risks as part of the due diligence process. We regularly seek to invest in sustainability practices that improve environmental performance and enhance asset value.

*Environmental Stewardship:* We seek to improve the environmental footprint of our properties, including by reducing energy consumption and water usage at our properties, especially when doing so may reduce operating costs and improve the properties' competitive positions.

*Corporate Citizenship:* We seek to be a responsible corporate citizen and to strengthen the communities in which we own properties. We have no employees but our manager, RMR LLC, regularly encourages its employees to engage in a variety of charitable and community programs, including participation in a company-wide service day and a matching charitable giving program.

*Diversity:* We value a diversity of backgrounds, experience and perspectives. Our Board is comprised of 40% women and in 2018 we were recognized by 2020 Women on Boards. RMR LLC is an equal opportunity employer.

To learn more about the Company's and RMR LLC's sustainability initiatives, visit [www.rmrgroup.com/corporate-sustainability](http://www.rmrgroup.com/corporate-sustainability).



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## Shareholder Nominations and Other Proposals

*Deadline to Submit Proposals pursuant to Rule 14a-8 for the 2020 Annual Meeting of Shareholders:* Shareholder proposals pursuant to Rule 14a-8 under the Exchange Act must be received at our principal executive offices on or before December 7, 2019 in order to be eligible to be included in the proxy statement for the 2020 annual meeting of shareholders; provided, that, if the date of the 2020 annual meeting is more than 30 days before or after May 21, 2020, such a proposal must be submitted within a reasonable time before we begin to print its proxy materials. Under Rule 14a-8, the Company is not required to include shareholder proposals in its proxy materials in certain circumstances or if conditions specified in the rule are not met.

*Deadline to Submit Trustee Proxy Access Nominations for the 2020 Annual Meeting of Shareholders:* Under our proxy access bylaw, a shareholder or a group of up to 20 shareholders owning at least three percent of the Company's outstanding Common Shares continuously for at least three years may nominate and include in the Company's proxy materials for the 2020 annual meeting Trustee nominees constituting up to the greater of two nominees or 20% of the number of Trustees on the Board that holders of the Company's Common Shares are entitled to elect, provided that if we have a classified Board of less than nine Trustees, such number of Trustee nominees will be reduced so that for the 2020 annual meeting it does not exceed one-half of the number of Trustees to be elected at the 2020 annual meeting as noticed by the Company rounded down to the nearest whole number (but not rounded down as a result of this proviso to less than one); provided further that the shareholder(s) and nominee(s) satisfy the informational, documentation and other requirements specified by Section 2.18 of our Bylaws. Notice of a proxy access nomination for consideration at our 2020 annual meeting must be received at the Company's principal executive offices not later than 5:00 p.m., Eastern time, on December 7, 2019 and not earlier than November 7, 2019.

*Deadline to Submit Other Nominations and Proposals for the 2020 Annual Meeting of Shareholders under our Bylaws:* To be timely, shareholder nominations and proposals intended to be made outside of Rule 14a-8 under the Exchange Act and outside of the proxy access bylaw at the 2020 annual meeting must be received by our Secretary at our principal executive offices, in accordance with the requirements of our Declaration of Trust and Bylaws, not later than 5:00 p.m., Eastern time, on December 7, 2019 and not earlier than November 7, 2019; provided, that, if the date of the 2020 annual meeting is more than 30 days earlier or later than May 21, 2020, then a shareholder's notice must be so delivered not later than 5:00 p.m., Eastern time, on the tenth day following the earlier of the day on which (i) notice of the date of the 2020 annual meeting is mailed or otherwise made available or (ii) public announcement of the date of the 2020 annual meeting is first made by the Company. Shareholders making such a nomination or proposal must comply with the advance notice and other requirements set forth in our Declaration of Trust and Bylaws, which include, among other things, requirements as to the shareholder's timely delivery of advance notice, continuous requisite ownership of Common Shares, holding of a share certificate for such shares at the time of the advance notice and submission of specified information.

The foregoing description of the deadlines and other requirements for a shareholder to submit a proxy access or other nomination for election to the Board or a proposal of other business for consideration at an annual meeting of shareholders is only a summary and is not a complete listing of all requirements. Copies of our Declaration of Trust and Bylaws, including the requirements for proxy access or other shareholder nominations and other shareholder proposals, may be obtained by writing to the Company's Secretary at Senior Housing Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458, or from the SEC's website, [www.sec.gov](http://www.sec.gov). Any shareholder considering making a proxy access or other nomination or other shareholder proposal should carefully review and comply with those provisions.



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## PROPOSAL 1: ELECTION OF TRUSTEES

Upon the recommendation of the Nominating and Governance Committee, the Board has nominated John L. Harrington for election as an Independent Trustee in Class II and Adam D. Portnoy for election as a Managing Trustee in Class II. Messrs. Harrington and Portnoy currently serve on the Board. If elected, Messrs. Harrington and Portnoy would serve until the Company's 2022 annual meeting of shareholders and until his successor is duly elected and qualifies, subject to the individual's earlier death, resignation, retirement, disqualification or removal.

We expect each nominee for election as Trustee will be able to serve if elected. However, if a nominee should become unable or unwilling to serve, proxies may be voted for the election of a substitute nominee designated by the Board.

Assuming a quorum is present at the meeting, a plurality of all the votes cast is required to elect a Trustee at the 2019 Annual Meeting.

The names, principal occupations and certain other information and the nominees for Trustees, as well as a summary of the key experiences, qualifications, attributes and skills that led the Nominating and Governance Committee and the Board to conclude that such persons are currently qualified to serve as Trustees, are set forth on the following pages.

**The Board of Trustees recommends a vote "FOR" the election of both Trustee nominees.**

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## Trustee Nominees to be Elected at the 2019 Annual Meeting

John L. Harrington

**Independent Trustee since 1999**

**Class/Term:** Class II with a term expiring at the 2019 Annual Meeting

**Age:** 82

**Board Committees:** Audit (Chair); Compensation; Nominating and Governance

**Other Public Company Boards:** Hospitality Properties Trust (since 1995); RMR Real Estate Income Fund, including its predecessor funds (since 2002); Office Properties Income Trust (formerly known as Government Properties Income Trust, since 2009); Tremont Mortgage Trust (since 2017)

Mr. Harrington has been chairman of the board of trustees of the Yawkey Foundation (a charitable foundation) since 2007 and prior to that from 2002 to 2003. He served as a trustee of the Yawkey Foundation since 1982 and as executive director from 1982 to 2006. He was also a trustee of the JRY Trust from 1982 through 2009.

Mr. Harrington was chief executive officer and general partner of the Boston Red Sox Baseball Club from 1986 to 2002 and served as that organization's vice president and chief financial officer prior to that time. He was president of Boston Trust Management Corp. from 1981 to 2006 and a principal of Bingham McCutchen Sports Consulting LLC from 2007 to 2008. Mr. Harrington represented the Boston Red Sox majority interest in co-founding The New England Sports Network, managing it from 1981 to 2002. Mr. Harrington served as a director of Fleet Bank from 1995 to 1999 and of Shawmut Bank of Boston from 1986 to 1995, a member of the Major League Baseball Executive Council from 1998 to 2001, assistant secretary of administration and finance for the Commonwealth of Massachusetts in 1980, treasurer of the American League of Professional Baseball Clubs from 1970 to 1972, assistant professor and director of admissions, Carroll Graduate School of Management at Boston College from 1967 through 1970 and as supervisory auditor for the U.S. General Accounting Office from 1961 through 1966. He was an independent trustee of RMR Funds Series Trust from shortly after its formation in 2007 until its dissolution in 2009. Mr. Harrington has held many civic leadership positions and received numerous leadership awards and honorary doctorate degrees. Mr. Harrington holds a Massachusetts license as a certified public accountant.

### **Specific Qualifications, Attributes, Skills and Experience:**

demonstrated leadership capability;

work on public company boards and board committees and in key management roles in various enterprises;

service on the boards of several private and charitable organizations;

professional skills and expertise in accounting, finance and risk management and experience as a chief financial officer;

expertise in compensation and benefits matters;

institutional knowledge earned through prior service on the Board; and

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our governing documents.

**Adam D. Portnoy**

**Managing Trustee since 2007**

**Class/Term:** Class II with a term expiring at the 2019 Annual Meeting

**Age:** 48

**Other Public Company Boards:** Hospitality Properties Trust (since 2007); Office Properties Income Trust (formerly known as Government Properties Income Trust, since 2009); RMR Real Estate Income Fund, including its predecessor funds (since 2009); The RMR Group Inc. (since 2015); Industrial Logistics Properties Trust (since 2017); Tremont Mortgage Trust (since 2017); Five Star Senior Living Inc. (since 2018); TravelCenters of America LLC (since 2018)

Mr. Portnoy has been president and chief executive officer of The RMR Group Inc. ("RMR Inc.") since shortly after its formation in 2015. Mr. Portnoy has been president and chief executive officer of RMR LLC since 2005 and was a director of RMR LLC from 2006 until June 5, 2015 when RMR LLC became a majority owned subsidiary of RMR Inc. and RMR Inc. became RMR LLC's managing member. Mr. Portnoy has been a director of RMR Advisors LLC since 2007 and served as its president from 2007 to September 2017 and its chief executive officer from 2015 to September 2017. Mr. Portnoy has been a director of Tremont Realty Advisors LLC since March 2016, and served as its president and chief executive officer from March 2016 through December 2017. Mr. Portnoy is an owner, the sole trustee and an officer of ABP Trust. Mr. Portnoy is the majority owner and has been a director of Sonesta International Hotels Corporation since 2012. Mr. Portnoy served as president and chief

executive officer of RMR Real Estate Income Fund from 2007 to 2015 and as president of Office Properties Income Trust from 2009 to 2011. Mr. Portnoy was a managing trustee of Select Income REIT from 2011 until it merged with a wholly owned subsidiary of Office Properties Income Trust in December 2018. Mr. Portnoy was a managing trustee of Equity Commonwealth from 2006 until 2014 and served as its president from 2011 to 2014. Prior to joining RMR LLC in 2003, Mr. Portnoy held various positions in the finance industry and public sector, including working as an investment banker at Donaldson, Lufkin & Jenrette and working in private equity at DLJ Merchant Banking Partners and at the International Finance Corporation (a member of The World Bank Group). In addition, Mr. Portnoy previously founded and served as chief executive officer of a privately financed telecommunications company. Mr. Portnoy currently serves as the Honorary Consul General of the Republic of Bulgaria to Massachusetts and on the Board of Directors of Pioneer Institute, and previously served on the board of governors for the National Association of Real Estate Investment Trusts and the board of trustees of Occidental College.

**Specific Qualifications, Attributes, Skills and Experience:**

extensive experience in, and knowledge of, the CRE industry and REITs;

leadership position with RMR LLC and demonstrated management ability;

public company trustee and director service;

experience in investment banking and private equity;

experience in starting a telecommunications company and serving as its senior executive;

institutional knowledge earned through prior service on the Board and in leadership positions with RMR LLC; and

qualifying as a Managing Trustee in accordance with the requirements of our governing documents.

The Nominating and Governance Committee and the Board believe that, because Mr. Portnoy is the president and chief executive officer of RMR LLC, his day to day work requires his extensive attention to the business of all the companies for which he serves as a managing trustee or managing director, including the Company, and therefore, service on these additional boards does not impair the amount of attention or time that Mr. Portnoy spends on service on our Board. The Board believes that Mr. Portnoy's extensive familiarity with the day to day business of the Company provides valuable insight for the Board.



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## Continuing Trustees

Jennifer B. Clark

### **Managing Trustee since 2018**

**Class/Term:** Class I with a term expiring at the 2021 annual meeting of shareholders

**Age:** 57

**Other Public Company Boards:** The RMR Group Inc. (since 2018)

Ms. Clark has been executive vice president, general counsel and secretary of The RMR Group Inc. ("RMR Inc.") since shortly after its formation in 2015. Ms. Clark joined RMR LLC in 1999 as a vice president; she became a senior vice president in 2006, an executive vice president and general counsel in 2008 and secretary in 2015. Ms. Clark serves as the secretary of each of the companies to which RMR LLC or its subsidiaries provide management services, including the Company and Five Star Senior Living Inc. Ms. Clark also serves as a director and secretary of Sonesta International Hotels Corporation, executive vice president, general counsel and secretary of Tremont Realty Advisors LLC, and a managing trustee, secretary and chief legal officer of RMR Real Estate Income Fund. Ms. Clark has also served as secretary of RMR Office Property Fund LP since 2018 and as a director of RMR Advisors LLC since 2016, as its president and chief executive officer since 2019, and prior to that as its executive vice president and general counsel from October 2017 through December 2018 and as its secretary since 2004, and as vice president and chief legal officer from 2007 through September 2017. Ms. Clark also served as a secretary of Select Income REIT from 2012 until its merger into a wholly-owned subsidiary of Office Properties Income Trust (then known as Government Properties Income Trust) in December 2018. Prior to joining RMR LLC, Ms. Clark was a partner at the law firm of Sullivan & Worcester LLP.

### **Specific Qualifications, Attributes, Skills and Experience:**

professional skills and experience in legal, corporate governance and real estate matters;

leadership position with RMR LLC and demonstrated management ability;

extensive experience in, and knowledge of, the CRE industry and REITs;

institutional knowledge earned through prior service as an officer of the Company and in leadership positions with RMR LLC;

female; and

qualifying as a Managing Trustee in accordance with the requirements of our governing documents.

**Lisa Harris Jones**

**Independent Trustee since 2015**

**Lead Independent Trustee since December 2018**

**Class/Term:** Class I with a term expiring at the 2021 annual meeting of shareholders

**Age:** 51

**Board Committees:** Audit; Compensation; Nominating and Governance (Chair)

**Other Public Company Boards:** TravelCenters of America LLC (since 2013); Industrial Logistics Properties Trust (since 2018)

Ms. Harris Jones is the founding member of Harris Jones & Malone, LLC, a law firm based in Maryland. Since founding Harris Jones & Malone, LLC in 2000, Ms. Harris Jones has represented a wide range of clients, focusing her practice in government relations and procurement at both the state and local levels. Prior to founding Harris, Jones & Malone, LLC, Ms. Harris Jones was associated with other Maryland law firms from 1993 to 1999, and she has represented the City of Baltimore and many of its agencies and related quasi-public entities in various real estate development and financing transactions. In addition to her professional accomplishments, Ms. Harris Jones has held leadership positions in many community service and civic organizations for which she has received recognitions and awards, including being the recipient of the YWCA Greater Baltimore Special Leadership Award in 2012.

**Specific Qualifications, Attributes, Skills and Experience:**

professional skills and experience in legal and business finance matters;

experience in public policy matters;

experience in real estate matters;

demonstrated leadership capability as an entrepreneur and founding member of a law firm;

work on public company boards and board committees;

African American;

female; and

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our governing documents.

Ms. Harris Jones was not reelected to the Board by shareholders at our 2018 annual meeting of shareholders by a majority of the votes cast and offered to resign from the Board after that meeting. The Nominating and Governance Committee and the Board, on the recommendation of the Nominating and Governance Committee, determined to reject Ms. Harris Jones' offer to resign as an Independent Trustee in Class I, among other reasons, because of her historical performance as a Board member, her qualifications, attributes, skills and experience outlined above, to maintain a Board composition of at least three Independent Trustees in accordance with applicable Nasdaq listing requirements and our governing documents, and because of the diverse perspective she brings to the Board as an African American woman.



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## Continuing Trustees

Jeffrey P. Somers

**Independent Trustee since 2009**

**Lead Independent Trustee** from 2015 – 2018

**Class/Term:** Class III with a term expiring at the 2020 annual meeting of shareholders

**Age:** 76

**Board Committees:** Audit; Compensation (Chair); Nominating and Governance

**Other Public Company Boards:** Office Properties Income Trust (formerly known as Government Properties Income Trust, since 2009); RMR Real Estate Income Fund, including its predecessor funds (since 2009); Tremont Mortgage Trust (since 2017)

Mr. Somers has been, since 2010, of counsel to, and from 1995 to 2009, was a member, and for six of those years the managing member, of the law firm of Morse, Barnes-Brown & Pendleton, PC. Prior to that time, he was a partner for more than 20 years at the law firm of Gadsby Hannah LLP (now McCarter & English, LLP) and for eight of those years was managing partner of the firm. Mr. Somers served as an independent trustee of Select Income REIT from 2012 until it merged with a wholly owned subsidiary of Office Properties Income Trust in December 2018. Mr. Somers served as a director of Cantella Management Corp., a holding company of Cantella & Co., Inc., an SEC registered broker-dealer, from 2002 until January 2014, when the company was acquired by a third party. From 1995 to 2001, he served as a trustee of the Pictet Funds. Before entering private law practice, Mr. Somers was a staff attorney at the SEC in Washington, D.C. He has previously served as a trustee of Glover Hospital, a private not for profit regional hospital, which is currently part of Beth Israel Deaconess Hospital, among various other civic leadership roles.

### **Specific Qualifications, Attributes, Skills and Experience:**

expertise in legal, corporate governance and regulatory matters;

leadership role as a law firm managing member;

experience as a hospital trustee, including guiding the hospital's sale process;

service as a trustee of public REITs and investment companies;

service with government and extensive experience in public policy matters and complex business transactions;

sophisticated understanding of finance and accounting matters;

work on public company boards and board committees;

institutional knowledge earned through prior service on the Board; and

qualifying as an Independent Trustee in accordance with the requirements of the Nasdaq, the SEC and our governing documents.

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## **Executive Officers**

The Company's executive officers serve at the discretion of the Board. There are no family relationships among any of the Company's Trustees or executive officers.

**Jennifer F. Francis (Mintzer)**

**President and Chief Operating Officer since 2018**

**Age: 54**

Ms. Francis has been a senior vice president of RMR LLC since 2008 and in addition is responsible for asset management and leasing activities at all RMR LLC managed properties. Prior to joining RMR LLC in 2006, Ms. Francis was a partner at CBRE/NE Partners, where she performed brokerage and corporate advisory services for a number of large corporate clients on their national commercial real estate portfolios. Previously, Ms. Francis was a vice president at The Gunwyn Company where she was responsible for the asset management of a portfolio of commercial, retail and residential assets. Ms. Francis has over 30 years of experience working in the commercial real estate industry. She is on the Executive Board of the American Seniors Housing Association (ASHA), a member of the National Association of Industrial and Office Properties (NAIOP) and a member of the Commercial Real Estate Women (CREW).

**Richard W. Siedel, Jr.**

**Chief Financial Officer and Treasurer since 2016**

**Age: 39**

Mr. Siedel has been a senior vice president of RMR LLC since 2016 and was a vice president of RMR LLC from 2015 to 2016. Mr. Siedel was chief accounting officer of Five Star Senior Living Inc. from 2014 through 2015, and he previously served as controller of RMR LLC from 2013 to 2014. Mr. Siedel's former experience also includes various accounting leadership positions, including corporate controller at Sensata Technologies (NYSE: ST) from 2010 to 2013 and an auditor at Ernst & Young LLP from 2001 to 2010.



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## BOARD COMMITTEES

### The Audit Committee

#### Members

**John L. Harrington (Chair)**

**Lisa Harris Jones**

**Jeffrey P. Somers**

**7 meetings during 2018**

The Audit Committee is comprised solely of Independent Trustees. Its primary role is to help the Board fulfill its oversight responsibilities related to the integrity of our financial statements and financial reporting process, the qualifications, independence and performance of our independent registered public accounting firm, the performance of our internal audit function, risk management and our compliance with legal and regulatory requirements. The Audit Committee is responsible for the appointment, compensation, retention and oversight, and the evaluation of the qualifications, performance and independence, of the Company's independent auditor and the resolution of disagreements between management and the independent auditor. The independent auditor reports directly to the Audit Committee. The Audit Committee also has final authority and responsibility for the appointment and assignment of duties to the Director of Internal Audit. The Audit Committee reviews the overall audit scope and plans of the audit with the independent auditor. The Audit Committee also reviews with management and the independent auditors the Company's quarterly reports on Form 10-Q, annual reports on Form 10-K and earnings releases.

The Board has determined that each member of the Audit Committee is financially literate and that Mr. Harrington is the Audit Committee's "financial expert."

### The Compensation Committee

#### Members

**Jeffrey P. Somers (Chair)**

**John L. Harrington**

**Lisa Harris Jones**

**6 meetings during 2018**

The Compensation Committee is comprised solely of Independent Trustees. Its primary responsibilities pertain to evaluating the performance and compensation of RMR LLC, of our executive officers and our Director of Internal Audit, evaluating and approving any changes in our agreements with RMR LLC and approving equity compensation awards. The Compensation Committee recommends to the Board the cash compensation payable to our Trustees for Board and committee service. It also reviews amounts payable by us to RMR LLC under our business and property management agreements and approves any proposed amendments to or termination of those agreements.

### The Nominating and Governance Committee

#### Members

**Lisa Harris Jones (Chair)**

**John L. Harrington**

**Jeffrey P. Somers**

The Nominating and Governance Committee is comprised solely of Independent Trustees. Its primary role is to identify individuals qualified to become Board members, consistent with criteria approved by the Board, and to recommend candidates to the entire Board for nomination or selection as Board members for each annual meeting of shareholders or when vacancies occur, to perform certain assessments of the Board and Board committees, including to assess the independence of Trustees and Trustee nominees, and to develop and recommend to the Board governance principles for the

2 meetings during 2018

Company. Under its charter, the Nominating and Governance Committee is also responsible for considering and reporting on the Company's succession planning to the Board.

**SENIOR HOUSING PROPERTIES TRUST**

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## BOARD MEETINGS

In 2018, the Board held 9 meetings. In 2018, each then Trustee attended 75% or more of the aggregate of all meetings of the Board and the committees on which he or she served or that were held during the period in which the Trustee served as a Trustee or committee member. All of the then Trustees attended last year's annual meeting of shareholders. The Company's policy with respect to Board members' attendance at meetings of the Board and annual meetings of shareholders can be found in the Company's Governance Guidelines, the full text of which appears at the Company's website, [www.snhreit.com](http://www.snhreit.com).

## TRUSTEE COMPENSATION

### Compensation of Trustees

The Board of Trustees believes that competitive compensation arrangements are necessary to attract and retain qualified Independent Trustees. On May 22, 2018, after conducting a market review with respect to leading companies of similar size to the Company as well as an industry peer group and other companies managed by RMR LLC or its subsidiaries, upon the recommendation of the Compensation Committee, the Board approved the Company's compensation arrangements for Independent Trustees of the Company.

The Company will continue to compensate its Independent Trustees through the use of annual retainers plus fees for meetings attended. Effective May 22, 2018, each Independent Trustee receives an annual fee of \$50,000 for services as a Trustee, plus a fee of \$1,250 for each Board or Board committee meeting attended. Up to two \$1,250 fees are paid if a Board meeting and one or more Board committee meetings, or two or more Board committee meetings, are held on the same date. Each Independent Trustee who serves as a committee chair of the Board's Audit, Compensation or Nominating and Governance Committees also receives an additional annual fee of \$15,000, \$10,000 and \$10,000, respectively, and the Lead Independent Trustee also receives an additional annual cash retainer fee of \$12,500 for serving in this role. Trustees are reimbursed for travel expenses they incur in connection with their duties as Trustees and for out of pocket costs they incur in connection with their attending certain continuing education programs.

Each Independent Trustee and Managing Trustee also receives an award of Common Shares annually, which was 3,000 Common Shares in 2018. Managing Trustees do not receive cash compensation for their services as Trustees.

### Trustee Share Ownership Guidelines

The Board believes it is important to align the interests of Trustees with those of our shareholders, and for Trustees to hold equity ownership positions in the Company. Accordingly, each Trustee is expected to hold at least 20,000 Common Shares by the later of: (i) the 2019 annual meeting of shareholders of the Company and (ii) five years from the annual meeting of shareholders of the Company at which the Trustee was initially elected or, if earlier, the first annual meeting of shareholders of the Company following the initial appointment of the Trustee to the Board. Compliance with these ownership guidelines is measured as of the end of each fiscal year. Any Trustee who is prohibited by law or by applicable regulation of his or her employer from owning equity in the Company is exempt from this requirement. The Nominating and Governance Committee may consider whether exceptions should be made for any Trustee on whom this requirement could impose a financial hardship.

As of February 28, 2019, all Trustees have met or, within the applicable period, are expected to meet, these share ownership guidelines.

Table of Contents**2018 Annual Trustee Compensation**

The following table details the total compensation of the Trustees for the year ended December 31, 2018 for services as a Trustee.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$) <sup>(1)</sup></b>	<b>Stock Awards (<sup>(2)</sup>)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Jennifer B. Clark <sup>(3)(4)</sup>		96,660		96,660
John L. Harrington	85,000	49,680		134,680
Lisa Harris Jones	80,000	49,680		129,680
Adam D. Portnoy <sup>(3)</sup>		49,680		49,680
Barry M. Portnoy <sup>(3)(4)</sup>				
Jeffrey P. Somers	93,750	49,680		143,430

(1)

The amounts reported in the Fees Earned or Paid in Cash column reflect the cash fees earned by each Independent Trustee in 2018, consisting of a \$50,000 annual cash fee and each of Ms. Harris Jones and Messrs. Harrington and Somers earned an additional \$10,000, \$15,000 and \$10,000, respectively, for service as a committee chair in 2018. Ms. Harris Jones and Messrs. Harrington and Somers each earned an additional \$20,000, \$20,000 and \$21,250, respectively, in fees for meetings attended in 2018. Mr. Somers also earned \$12,500 for his role as Lead Independent Trustee in 2018. The Board selected Ms. Harris Jones as Lead Independent Trustee in December 2018.

(2)

Equals 3,000 Common Shares multiplied by the closing price of such shares on May 22, 2018, the award date, and for Jennifer B. Clark includes an additional 3,000 Common Shares multiplied by the closing price of such shares on March 29, 2018, the award date for Common Shares awarded in connection with her initial election as a Managing Trustee. Amounts shown are also the compensation cost for the award recognized by the Company for financial reporting purposes pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, "Compensation Stock Compensation" ("ASC 718") (which equals the closing price of the shares on the award date, multiplied by the number of shares subject to the award). No assumptions were used in this calculation. All Common Share awards fully vested on the award date.

(3)

Managing Trustees do not receive cash compensation for their services as Trustees.

(4)

Mr. Barry M. Portnoy served as a Managing Trustee of the Company until his death on February 25, 2018. The Board elected Ms. Clark as a Managing Trustee effective March 29, 2018.





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## OWNERSHIP OF EQUITY SECURITIES OF THE COMPANY

**Trustees and Executive Officers**

The following table sets forth information regarding the beneficial ownership of the outstanding Common Shares by each Trustee nominee, each Trustee, each of our named executive officers and our Trustees, Trustee nominees, named executive officers and other executive officers as a group, all as of February 28, 2019. Unless otherwise noted, to the Company's knowledge, voting power and investment power in the Common Shares are exercisable solely by the named person and the principal business address of the named person is c/o Senior Housing Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

<b>Name and Address</b>	<b>Aggregate Number of Shares Beneficially Owned*</b>	<b>Percent of Outstanding Shares**</b>	<b>Additional Information</b>
Adam D. Portnoy	2,691,392	1.13%	Includes 2,550,019 Common Shares owned by ABP Trust. Voting and investment power with respect to Common Shares owned by ABP Trust may be deemed to be shared by Adam D. Portnoy as ABP Trust's sole trustee.
David J. Hegarty	111,940	Less than 1%	Owned jointly by Mr. Hegarty and his wife.
Jennifer B. Clark	108,870	Less than 1%	
John L. Harrington	33,000	Less than 1%	Includes 33,000 Common Shares owned by the John L. Harrington Revocable Trust. Mr. Harrington may be deemed to hold voting and investment power as a trustee and beneficiary of the John L. Harrington Revocable Trust.
Jeffrey P. Somers	25,500	Less than 1%	
Jennifer F. Francis (Mintzer)	15,362	Less than 1%	
Richard W. Siedel Jr.	14,500	Less than 1%	
Lisa Harris Jones	12,854	Less than 1%	
All Trustees, named executive officers and other executive officers as a group (eight persons)	3,013,418	1.27%	

\*

Amounts exclude fractional shares.

\*\*

The percentages indicated are based on approximately 237,729,900 Common Shares outstanding as of February 28, 2019.

Table of Contents**Principal Shareholders**

Set forth in the table below is information about the number of Common Shares held by persons the Company knows to be the beneficial owners of more than 5.0% of the outstanding Common Shares.

Name and Address	Aggregate Number of Shares		Additional Information
	Beneficially Owned*	Percent of Outstanding Shares**	
The Vanguard Group, Inc. ("Vanguard") 100 Vanguard Boulevard Malvern, Pennsylvania 19355	35,319,430	14.9%	Based on a Schedule 13G/A filed with the SEC on February 13, 2019 by Vanguard reporting that, at December 31, 2018, Vanguard beneficially owned 35,319,430 Common Shares and had sole voting power over 322,455 Common Shares, shared voting power over 268,287 Common Shares, sole dispositive power over 34,960,739 Common Shares and shared dispositive power over 358,691 Common Shares.
BlackRock, Inc. ("BlackRock") 55 East 52nd Street New York, New York 10055	28,383,720	11.9%	Based on a Schedule 13G/A filed with the SEC on January 31, 2019 by BlackRock reporting that, at December 31, 2018, BlackRock beneficially owned and had sole dispositive power over 28,383,720 Common Shares and had sole voting power over 27,290,410 Common Shares.
Vanguard Specialized Funds Vanguard REIT Index Fund ("Vanguard REIT") 100 Vanguard Boulevard Malvern, Pennsylvania 19355	11,308,178	4.8%	Based on a Schedule 13G/A filed with the SEC on January 31, 2019 by Vanguard REIT reporting that, at December 31, 2018, Vanguard REIT beneficially owned

and had sole voting power over 11,308,178 Common Shares and no dispositive power over such Common Shares. The Company understands that the Common Shares reported as beneficially owned by Vanguard REIT are included in the total Common Shares reported as beneficially owned by Vanguard above.

\*

Beneficial ownership is shown as of December 31, 2018.

\*\*

Our Declaration of Trust places restrictions on the ability of any person or group to acquire beneficial ownership of more than 9.8% of any class of the Company's shares. Vanguard and BlackRock, however, are Excepted Holders, as defined in our Declaration of Trust, and therefore are not subject to this ownership limit, subject to certain limitations.

*The percentages indicated are based on approximately 237,729,900 Common Shares outstanding as of February 28, 2019.*

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our Trustees, executive officers and beneficial owners of more than 10% of our Common Shares to file reports of ownership and changes of ownership with the SEC and the Nasdaq. Based on our records and other information, we believe that during the year ended December 31, 2018 all applicable Section 16(a) filing requirements were met.

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## PROPOSAL 2: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

As required by Section 14A of the Exchange Act, the Company seeks a non-binding advisory vote from its shareholders to approve the compensation of its named executive officers as described in the "Compensation Discussion and Analysis" section beginning on page 23 and the "Executive Compensation" section beginning on page 29.

The Board recommends that shareholders vote FOR the following resolution:

RESOLVED: That the shareholders of the Company approve, on a non-binding, advisory basis, the compensation paid by the Company to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the "Compensation Discussion and Analysis" in this Proxy Statement.

Because your vote is advisory, it will not be binding upon the Board or the Compensation Committee. However, the Board values shareholders' opinions and the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

Assuming a quorum is present at the meeting, approval of the advisory vote to approve executive compensation requires the affirmative vote of a majority of all the votes cast, in person or by proxy, at the 2019 Annual Meeting.

**The Board of Trustees recommends a vote "FOR" the advisory vote to approve executive compensation.**

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## COMPENSATION DISCUSSION AND ANALYSIS

### Compensation Overview

The Company's compensation structure is unique because of its relationship with RMR LLC. The Company's business management agreement with RMR LLC is designed to incentivize RMR LLC to provide the highest quality services to the Company. RMR LLC's base business management fee is based on the lower of the historical cost of the Company's properties and the Company's market capitalization. RMR LLC may earn an incentive management fee based on the three year total return of the Common Shares relative to an index of the Company's peers. Because they are employees of RMR LLC and not the Company, RMR LLC, not the Company, determines the cash compensation payable to the Company's named executive officers. The Company does not reimburse RMR LLC for compensation RMR LLC paid or pays to the Company's executive officers and the Company's management agreements with RMR LLC do not require RMR LLC to allocate or pay a specific amount or percentage of RMR LLC's management fees to the named executive officers or require those officers to dedicate a specified amount of their time to Company business. As part of the Company's shareholder engagement to address prior Say on Pay votes, the Company endeavored to better explain to shareholders these arrangements with RMR LLC and to help them understand that disclosure of cash compensation to the Company's named executive officers would not reflect actions or considerations by our Compensation Committee.

Pursuant to its management agreement with RMR LLC, RMR LLC provides services that otherwise would be provided by employees and, as a result, the Company does not have any employees of our own. The Company's named executive officers are employees of RMR LLC. RMR LLC conducts the Company's day to day operations on the Company's behalf and compensates or compensated the Company's named executive officers directly and in its sole discretion in connection with their services rendered to the Company and to RMR LLC and the other companies managed by RMR LLC or its subsidiaries. The Compensation Committee is satisfied with this arrangement because of the imbedded compensation incentives for RMR LLC in the Company's business management agreement. The Company does not pay its named executive officers salaries or bonuses or provide other compensatory benefits except for the awards of Common Shares under the Company's 2012 Equity Compensation Plan (the "Share Award Plan"), discussed below. RMR LLC, not the Company, determines the cash compensation payable to the Company's named executive officers. The Company does not reimburse RMR LLC for compensation RMR LLC paid or pays to the Company's executive officers. None of the Company's named executive officers has an employment agreement with the Company or with RMR LLC. Except for the share award agreements and the retirement agreement RMR LLC entered into with David J. Hegarty, who resigned as the Company's President and Chief Operating Officer effective April 30, 2018, discussed below under "Potential Payments upon Termination or Change in Control," none of the Company's named executive officers has an agreement that provides for payments or benefits upon or in connection with his termination or a change in control of the Company. Although the Compensation Committee reviews and approves the Company's business management and property management agreements with RMR LLC, it is not involved in compensation decisions made by RMR LLC for its employees other than the employee serving as the Company's Director of Internal Audit. The Company's payments to RMR LLC are described in "Certain Related Person Transactions" beginning on page 41 of this Proxy Statement. For information regarding the compensation paid by RMR LLC and RMR Inc. to the named executive officers of RMR Inc., please see the below "RMR LLC and RMR Inc. Compensation Practices" section and the documents filed by RMR Inc. with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and its Proxy Statement on Schedule 14A for its 2019 Annual Meeting of Shareholders. RMR Inc.'s filings with the SEC are not incorporated by reference into this Proxy Statement.

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## Compensation Philosophy

The Company's compensation program for its executive officers consists of awards of shares under the Share Award Plan. The Compensation Committee believes that these share awards recognize the Company's executive officers' scope of responsibilities, reward demonstrated performance and leadership, motivate future performance and further align the interests of the executive officers with those of our shareholders.

## Overview of 2018 Compensation Actions

In September 2018, the Chair of the Compensation Committee met with one of the Company's Managing Trustees, Adam D. Portnoy, and the chairs of the compensation committees of RMR Inc. and of the then other public companies to which RMR LLC provides management services, which included: the Company; Hospitality Properties Trust ("HPT"), Industrial Logistics Properties Trust ("ILPT"); Government Properties Income Trust (now known as Office Properties Income Trust ("OPI")); Select Income REIT ("SIR"); Tremont Mortgage Trust ("TRMT" and, together with ILPT, HPT and OPI, the "Other RMR Managed REITs"); Five Star Senior Living Inc. ("FVE"); and TravelCenters of America LLC ("TA"). The purposes of this meeting were, among other things, to discuss compensation philosophy and factors that may affect compensation decisions, to consider the compensation payable to the Company's Director of Internal Audit (who provides services to the Company and to other companies to which RMR LLC provides management services), to consider the allocation of internal audit and related services costs among RMR Inc., the Company and other companies to which RMR LLC provides such services, to provide a comparative understanding of potential share awards by the Company and the other companies to which RMR LLC provides management services and to hear and consider recommendations from RMR LLC concerning potential share awards and the vesting of those shares. The share awards made by the other companies managed by RMR LLC are considered to be appropriate comparisons because of the similarities between certain services the Company requires from the Company's share awardees and the services provided by awardees providing similar services to these other companies. Subsequent to this meeting, the members of the Compensation Committee held a meeting at which the Compensation Committee Chair provided a report of the information discussed with Mr. Adam D. Portnoy and others, and made recommendations for share awards to the Company's named executive officers. The Compensation Committee then discussed these recommendations and other factors, including the following factors for the 2018 share awards: (i) the value of the proposed share awards; (ii) the historical awards previously awarded to these named executive officers and the corresponding values at the time of the awards; (iii) the recommendations of RMR LLC as presented by Mr. Adam D. Portnoy, president and chief executive officer of RMR LLC; (iv) the value of share awards to executive officers providing comparable services at the applicable Other RMR Managed REITs and companies to which RMR LLC provides management services; (v) the scope of, and any changes to, the responsibilities assigned to, or assumed by, these named executive officers during the past year and on a going forward basis; (vi) the length of historical services by these named executive officers; (vii) the Compensation Committee's perception regarding the quality of the services provided by these named executive officers in carrying out those responsibilities; and (viii) the Company's financial and operating performance in the past year and the Company's perceived future prospects. The Compensation Committee considered these multiple factors in determining whether to increase or decrease the amounts of the prior year's awards. There was no formulaic approach in the use of these various factors in determining the number of shares to award to each named executive officer. The share amounts were determined on a subjective basis, using the various factors in the Compensation Committee's sole discretion. These named executive officers did not participate in these meetings and were not involved in determining or recommending the amount or form of named executive officer compensation they received from the Company.



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## Analysis of 2018 Awards under the Share Award Plan

Although the Company does not pay any cash compensation directly to its officers and has no employees, the Company has adopted the Share Award Plan to reward the Company's named executive officers and other RMR LLC employees who provide services to the Company and to foster a continuing identity of interest between them and our shareholders. The Company awards shares under the Share Award Plan to recognize the named executive officers' scope of responsibilities, reward demonstrated performance and leadership, motivate future performance, align the interests of the Company's executives with those of the Company's other shareholders and motivate the executives to remain employees of the Company's manager and to continue to provide services to the Company through the term of the awards.

Under its charter, the Compensation Committee evaluates, approves and administers the Company's equity compensation plans, which currently consist solely of the Share Award Plan. The Compensation Committee has historically determined to use awards of Common Shares under the Share Award Plan rather than stock options as equity compensation. Because the value of the Common Shares may be determined in part by reference to its dividend yield relative to market interest rates rather than by its potential for capital appreciation, the Company believes a conventional stock option plan might not provide appropriate incentives for management for a business like that of the Company, but a share award plan may create a better identity of interests between management and other shareholders. Also, because the Company believes a stock option plan could have the potential to encourage excessive short term risk taking, the Company has historically granted share awards rather than stock options.

The Compensation Committee uses comparative information about the applicable Other RMR Managed REITs as additional data to help it determine whether it is awarding share amounts that are reasonable based on the characteristics of those REITs and their respective officers. The Compensation Committee also considers the size and structure of the applicable Other RMR Managed REITs and other RMR LLC managed businesses, and the experience, length of service and scope of duties and responsibilities of the officers at these other companies to assess the appropriateness of the value of the share awards proposed for the Company's officers in light of the proposed awards for officers with comparable roles at the other companies. The Compensation Committee reviewed the compensation data regarding the applicable Other RMR Managed REITs and their officers, together with the other factors discussed above, but the Compensation Committee did not undertake a detailed comparison of the named executive officers across the applicable Other RMR Managed REITs or other companies managed by RMR LLC or assign weight to any particular characteristic of these other companies or their officers because the Compensation Committee determines the share amounts in its sole discretion on a non-formulaic basis. In 2018, the Compensation Committee considered the foregoing factors and decided to award 3,500 more Common Shares to Mr. Siedel than was awarded in 2017 due to his high level and length of service to the Company and decided to award 6,000 more Common Shares to Ms. Francis than was awarded in 2017 in light of her new executive officer roles as President and Chief Operating Officer, in accordance with the recommendation of RMR LLC and the Chair of the Compensation Committee. The Compensation Committee also determined that it would be appropriate to provide that such share awards would vest upon the occurrence of certain corporate "change in control" or termination events. The Compensation Committee did not award any Common Shares to Mr. Hegarty in 2018 due to his resignation as an officer of the Company, effective April 30, 2018. In connection with Mr. Hegarty's retirement, the Compensation Committee approved the accelerated vesting of Mr. Hegarty's unvested Common Shares as of September 30, 2018.

The Company determines the fair market value of the shares awarded based on the closing price of the Common Shares on the date of the award. The Compensation Committee has imposed, and may impose, vesting and other conditions on the awarded Common Shares because it believes that time based vesting encourages the recipients of the share awards to remain employed by RMR LLC and to continue to provide services to the Company. The Compensation Committee currently uses a vesting schedule under which one fifth of the shares vest immediately and the remaining shares vest in four equal, consecutive annual installments commencing on the first anniversary of the date of the award. The Compensation Committee utilizes a four year time based vesting schedule to provide an incentive to provide services for

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a long term and in consideration of the tax treatment of the share awards to the Company and to the recipients. In the event a recipient who has been awarded a share award ceases to perform duties for the Company or ceases to be an officer or an employee of RMR LLC or any company that RMR LLC or its subsidiaries manage during the vesting period, the Company may cause the forfeiture of, or the Company may repurchase for nominal consideration, the Common Shares that have not yet vested. As with other issued Common Shares, vested and unvested shares awarded under the Share Award Plan are entitled to receive distributions that the Company makes, if any, on the Common Shares. As described above, the Compensation Committee approved the accelerated vesting of Mr. Hegarty's unvested Common Shares as of September 30, 2018.

Because the consideration of share awards by the Compensation Committee and the Board is determined on a regular schedule (i.e., in September for the Company's officers and employees of RMR LLC and at the first meeting of the Board after the annual meeting of shareholders for the Trustees), the proximity of any awards to earnings announcements or other market events, if any, is coincidental.

The Compensation Committee believes that its compensation philosophy and programs are designed to foster a business culture that aligns the interests of its named executive officers with those of its shareholders. The Compensation Committee believes that the equity compensation of its named executive officers is appropriate to the goal of providing shareholders dependable, long term returns.

## **Frequency of Say on Pay**

The Company's current policy, consistent with the prior vote of our shareholders, is to provide shareholders with an opportunity to approve, on an advisory basis, the Company's compensation of the Company's named executive officers each year at the annual meeting of shareholders. Accordingly, the Company is providing shareholders with an opportunity to approve this compensation. As noted above, the Company's only compensation to the Company's named executive officers is Common Share awards. None of the Company's named executive officers are employed by the Company. The Company's manager, RMR LLC, provides services that otherwise would be provided by employees and employs and compensates the Company's named executive officers directly and in RMR LLC's sole discretion in connection with their services rendered to the Company and to RMR LLC and the other companies managed by RMR LLC or its subsidiaries.

In evaluating the Company's compensation process for 2018, the Compensation Committee generally considered the results of the most recent advisory vote of our shareholders on the compensation of the executive officers named in the proxy statement for the Company's 2018 annual meeting of shareholders.

## **RMR LLC and RMR Inc. Compensation Practices**

RMR LLC has advised the Company that in 2018 RMR LLC paid each of the Company's named executive officers cash compensation comprised of a fixed salary and a cash bonus. RMR LLC did not provide guaranteed cash bonuses to these named executive officers during 2018 and did not set specific performance targets on which bonuses would be payable to them. Instead, the annual cash bonuses paid by RMR LLC to these named executive officers in 2018 were discretionary in amount and were based on a performance evaluation conducted by the compensation committee of RMR Inc.

As explained above, the Company's manager, RMR LLC, provides services that otherwise would be provided by employees, conducts the Company's day to day operations on the Company's behalf and compensates or compensated the Company's named executive officers directly and in its sole discretion in connection with their services rendered to the Company and to RMR LLC and the other companies managed by RMR LLC or its subsidiaries. The Company does not pay its named executive officers salaries or bonuses or provide other compensatory benefits except for awards of Common Shares under the Share Award Plan. The Company does not reimburse RMR LLC for compensation RMR LLC or RMR Inc. pays or paid to the Company's named executive officers.

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RMR Inc., the parent of RMR LLC, awarded 1,500 shares of Class A common stock of RMR Inc., with an award date fair value of \$142,500, to each of Ms. Francis and Mr. Siedel in 2018. One fifth of the shares awarded vested on the award date and an additional one fifth vests on each of the next four anniversaries of the award date, subject to the applicable named executive officer continuing to render significant services, whether as an employee or otherwise, to RMR LLC or a public client company managed by RMR LLC or their respective affiliates and to accelerated vesting under certain circumstances.

The Company's named executive officers are or were also officers and employees of RMR LLC and, as officers and employees of RMR LLC, also provide or provided services to RMR LLC, RMR Inc. and other companies managed by RMR LLC or its subsidiaries. RMR LLC has informed the Company that the cash compensation paid by RMR LLC to the Company's named executive officers is for services provided by the officers to RMR LLC, RMR Inc., the Company and other companies managed by RMR LLC or its subsidiaries. RMR LLC has also informed the Company that it is not able to allocate with reasonable certainty or provide a reasonable estimate of the compensation paid by RMR LLC to our named executive officers for their services to the Company for a number of reasons:

Our management agreements with RMR LLC do not require individual executive officers to dedicate a specific amount of time to providing services to the Company under those agreements. RMR LLC's officers and employees provide services on an as needed basis across RMR LLC, RMR Inc., the Company and all other companies managed by RMR LLC or its subsidiaries.

Our management agreements with RMR LLC do not require that a specified amount or percentage of the fees the Company pays to RMR LLC be allocated to the Company's executive officers.

RMR LLC does not designate a specific amount of time that the Company's named executive officers must spend providing services to the Company or record the amount of time that the Company's named executive officers (or any other employee of RMR LLC) spend providing services to the Company.

For information regarding the compensation paid by RMR LLC and RMR Inc. to the named executive officers of RMR Inc., please see the documents filed by RMR Inc. with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and its Proxy Statement on Schedule 14A for its 2019 Annual Meeting of Shareholders. RMR Inc.'s filings with the SEC are not incorporated by reference into this Proxy Statement.

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## REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2018.

Jeffrey P. Somers, Chair  
John L. Harrington  
Lisa Harris Jones

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is comprised entirely of the three Independent Trustees listed above. No member of the Compensation Committee is a current, or during 2018 was a former, officer or employee of the Company. In 2018, none of the Company's executive officers served (i) on the compensation committee of any entity that had one or more of its executive officers serving on the Board or the Compensation Committee of the Company or (ii) on the board of directors or board of trustees of any entity that had one or more of its executive officers serving on the Compensation Committee of the Company. Members of the Compensation Committee serve as independent trustees or independent directors and compensation committee members of other public companies to which RMR LLC or its subsidiaries provide management services. Mr. Somers serves as an independent trustee of OPI, RIF and TRMT. Mr. Harrington serves as an independent trustee of HPT, OPI, RIF and TRMT. Ms. Harris Jones serves as an independent trustee of ILPT and an independent director of TA. In addition, each of our Independent Trustees serves as a director of Affiliates Insurance Company ("AIC"). The disclosures regarding our relationships with these foregoing entities and certain transactions with or involving them under the section entitled "Certain Related Person Transactions" are incorporated by reference herein.

Table of Contents**EXECUTIVE COMPENSATION**

The following tables and footnotes summarize the total compensation paid by the Company to our President and Chief Operating Officer and our Chief Financial Officer and Treasurer who were serving as such officers as of December 31, 2018 and the Company's former President and Chief Operating Officer who served during the fiscal year ended December 31, 2018, or the Company's "named executive officers." Please see "Say on Pay" above for an explanation of why the Company pays our named executive officers no cash compensation. For information regarding the compensation paid by RMR LLC and RMR Inc. to the named executive officers of RMR Inc., please see the above "RMR LLC and RMR Inc. Compensation Practices" section and the documents filed by RMR Inc. with the SEC, including its Annual Report on Form 10-K for the fiscal year ended September 30, 2018 and its Proxy Statement on Schedule 14A for its 2019 Annual Meeting of Shareholders. RMR Inc.'s filings with the SEC are not incorporated by reference into this Proxy Statement.

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Stock Awards (\$)<sup>(1)</sup></b>	<b>All Other Compensation (\$)<sup>(2)</sup></b>	<b>Total (\$)</b>
<b>Jennifer F. Francis (Mintzer)<sup>(3)</sup></b> <i>President and Chief Operating Officer</i>	2018	143,325	6,366	149,691
<b>Richard W. Siedel Jr.</b> <i>Chief Financial Officer and Treasurer</i>	2018	143,325	9,594	152,919
	2017	79,120	4,758	83,878
	2016	64,920	936	65,856
<b>David J. Hegarty<sup>(3)</sup></b> <i>Former President and Chief Operating Officer</i>	2018		22,230	22,230
	2017	187,910	29,640	217,550
	2016	205,580	29,640	235,220

(1)

Represents the grant date fair value of Common Share awards in 2018, 2017 and 2016, as applicable, calculated in accordance with ASC 718 (which equals the closing price of the shares on the award date, multiplied by the number of shares subject to the grant). No assumptions were used in this calculation.

(2)

Consists of cash distributions in the applicable year on unvested Common Shares received in connection with cash distributions the Company paid to all of our shareholders. The Company pays no cash compensation to its executive officers. As noted above, they are employees of and paid by RMR LLC.

(3)

Mr. Hegarty resigned as the Company's President and Chief Operating Officer and as an executive vice president of RMR LLC effective April 30, 2018. The Board appointed Jennifer F. Francis (Mintzer) as the Company's President and Chief Operating Officer, effective May 1, 2018. In connection with his retirement, RMR LLC entered into a retirement agreement with Mr. Hegarty on March 29, 2018. For additional information with respect to this agreement and/or Mr. Hegarty's retirement, please see the section entitled "Related Person Transactions" and the section entitled "Potential Payments upon Termination or Change in Control" in this Proxy Statement.



Table of Contents**2018 Grants of Plan Based Awards**

Share awards granted by the Company to the named executive officers in 2018 in their capacity as officers of the Company provide that one fifth of each award vested on the date of the award grant and an additional one fifth vests on each of the next four anniversaries of the award date, subject to the applicable named executive officer continuing to render significant services, whether as an employee or otherwise, to the Company, RMR LLC or any company to which RMR LLC provides management services or their respective affiliates and to accelerated vesting under certain circumstances. Holders of vested and unvested Common Shares awarded under the Share Award Plan receive distributions that the Company makes, if any, on its shares on the same terms as other holders of the Common Shares.

The following table shows the total Common Shares awarded by the Company to its named executive officers in their capacity as officers of the Company in 2018.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(1)</sup>
Jennifer F. Francis (Mintzer)	9/13/2018	7,500	143,325
Richard W. Siedel Jr.	9/13/2018	7,500	143,325
David J. Hegarty			

(1)

Equals the number of Common Shares awarded multiplied by the closing price on the date of the award grant, which is also the grant date fair value under ASC 718. No assumptions were used in this calculation.

**2018 Outstanding Equity Awards at Fiscal Year End**

The following table shows the total Common Shares awarded by the Company in 2018 and prior years to the Company's named executive officers that were unvested as of December 31, 2018.

Name	Year Granted	Stock Awards	
		Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>
Jennifer F. Francis (Mintzer) <sup>(3)</sup>	2018	6,000	70,320
	2017	900	10,548
	2016	600	7,032
	2015	300	3,516
Richard W. Siedel Jr. <sup>(4)</sup>	2018	6,000	70,320
	2017	2,400	28,128
	2016	1,200	14,064
	2015		

David J. Hegarty<sup>(5)</sup>

2018  
2017  
2016  
2015

- (1) The Common Shares awarded in 2018, 2017, 2016 and 2015 were awarded on September 13, 2018, September 14, 2017, September 15, 2016 and September 2, 2015, respectively.
- (2) Equals the number of Common Shares not vested multiplied by the closing price of the Common Shares on December 31, 2018.
- (3) The Common Shares awarded to Ms. Francis (Mintzer) in 2017, 2016 and 2015 were awarded to her in her capacity as an officer and employee of RMR LLC.
- (4) Mr. Siedel did not receive a Common Share award in 2015.
- (5) Under Mr. Hegarty's retirement agreement, all 11,400 unvested Common Shares he owned vested as of September 30, 2018.



Table of Contents**2018 Stock Vested**

The following table shows Common Share awards made in 2018 and prior years to the Company's named executive officers that vested in 2018.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
Jennifer F. Francis (Mintzer) <sup>(2)</sup>	2,540	48,234
Richard W. Siedel Jr.	2,900	54,775
David J. Hegarty <sup>(3)</sup>	19,000	343,273

(1) Equals the number of vesting Common Shares multiplied by the closing price on the date that such Common Shares vested in 2018.

(2) This amount includes an aggregate of 1,040 Common Shares awarded to Ms. Francis (Mintzer) in 2017, 2016, 2015 and 2014 in her capacity as an officer and employee of RMR LLC.

(3) Under Mr. Hegarty's retirement agreement, all 11,400 unvested Common Shares he owned vested as of September 30, 2018.

**Potential Payments upon Termination or Change in Control**

The form of share award agreement for awards made to our named executive officers provides for acceleration of vesting of all share awards upon the occurrence of certain change in control or termination events (each, a "Termination Event"). The following table describes the potential payments to our named executive officers upon a Termination Event, if such event had occurred, as of December 31, 2018.

Name	Number of Shares Vested Upon Termination Event (#)	Value Realized on Termination Event as of December 31, 2018 (\$) <sup>(1)</sup>
Jennifer F. Francis (Mintzer) <sup>(2)</sup>	7,800	91,416
Richard W. Siedel Jr.	9,600	112,512
David J. Hegarty <sup>(3)</sup>		

(1) Equals the number of Common Shares multiplied by the closing price of the Common Shares on December 31, 2018.

(2)

This amount includes an aggregate of 1,800 Common Shares awarded to Ms. Francis (Mintzer) in 2017, 2016 and 2015 in her capacity as an officer and employee of RMR LLC.

(3)

Under Mr. Hegarty's retirement agreement, all 11,400 unvested Common Shares he owned vested as of September 30, 2018.

From time to time we have approved, and may in the future approve, the acceleration of vesting of Common Shares previously awarded under the Share Award Plan to former employees of RMR LLC, which may include individuals who are our executive officers, when their employment with RMR LLC is terminated.

For a discussion of the consequences of a Termination Event under the Company's business and property management agreements with RMR LLC, see the below "Related Person Transactions" section.

## **Pay Ratio**

Pay ratio disclosure under Item 402(u) has not been provided because the Company does not have any employees.

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## PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS

The Audit Committee has the sole authority and responsibility to hire, evaluate and, when appropriate, replace our independent auditors and is directly responsible for the appointment, compensation and general oversight of the work of the independent auditors. The Audit Committee is responsible for approving the audit and permissible non-audit services provided by the independent auditors and the associated fees.

The Audit Committee evaluates the performance of our independent auditors annually and determines whether to re-engage the current independent auditors or consider other audit firms. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' technical expertise and knowledge of our operations and industry, the auditors' independence, legal proceedings involving the auditors, the results of inspections by the Public Company Accounting Oversight Board ("PCAOB") and peer quality reviews of the auditors and the auditors' reputation in the marketplace. In connection with the mandated rotation of the independent auditors' lead engagement partner, the Audit Committee and its chair consider the selection of the new lead engagement partner identified by the independent auditors.

Based on this evaluation, the Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent auditors for the fiscal year ending December 31, 2019. Ernst & Young LLP has served as the Company's independent auditors since our formation in 1999 and is considered by management and the Audit Committee to be well qualified. Further, the Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as the independent registered public accounting firm is in the best interests of the Company and its shareholders.

The Audit Committee has determined to submit its selection of the independent auditors to our shareholders for ratification. This vote will ratify prior action by the Audit Committee and will not be binding upon the Audit Committee. However, the Audit Committee may reconsider its prior appointment of the independent auditors or consider the results of this vote when it determines who to appoint as our independent auditors in the future.

### Audit Fees and All Other Fees

The following table shows the fees for audit and other services provided to the Company by Ernst & Young LLP for the fiscal years ended December 31, 2018 and 2017.

	<b>2018 Fees (\$)<sup>(1)</sup></b>	<b>2017 Fees (\$)</b>
Audit Fees	1,727,175	1,766,203
Audit Related Fees		
Tax Fees	23,900	22,900
All Other Fees	720	456

(1)

The amount of audit fees for 2018 is based on the fees billed and paid to date and on the estimate for remaining fees provided by Ernst & Young LLP to and approved by the Audit Committee for services provided by Ernst & Young LLP, including in connection with the audit of the Company's 2018 financial statements and internal control over financial reporting. The final amount of the fees for those services may vary from the estimate provided.



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**Audit Fees.** This category includes fees associated with the annual financial statements audit and related audit procedures, the audit of internal control over financial reporting, work performed in connection with any registration statements and any applicable Current Reports on Form 8-K and the review of any of the Company's Quarterly Reports on Form 10-Q.

**Audit Related Fees.** This category consists of services that are reasonably related to the performance of the audit or review of financial statements and are not included in "Audit Fees." These services principally include due diligence in connection with acquisitions, consultation on accounting and internal control matters, audits in connection with proposed or consummated acquisitions, information systems audits and other attest services.

**Tax Fees.** This category consists of fees for tax services, including tax compliance, tax advice and tax planning.

**All Other Fees.** This category consists of services that are not included in the above categories. The amounts for 2018 and 2017 reflect annual subscription fees for Ernst & Young LLP's online accounting research application.

## **Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee has established policies and procedures that are intended to control the services provided by our independent auditors and to monitor their continuing independence. Under these policies, our independent auditors may not undertake any services unless the engagement is specifically approved by the Audit Committee or the services are included within a category that has been approved by the Audit Committee. The maximum charge for services is established by the Audit Committee when the specific engagement or the category of services is approved. In certain circumstances, our management is required to notify the Audit Committee when approved services are undertaken and the Audit Committee or its Chair may approve amendments or modifications to the engagement or the maximum fees. Our Director of Internal Audit is responsible for reporting to the Audit Committee regarding compliance with these policies and procedures.

The Audit Committee will not approve engagements of the independent auditors to perform non-audit services for the Company if doing so will cause the independent auditors to cease to be independent within the meaning of applicable SEC or Nasdaq rules. In other circumstances, the Audit Committee considers, among other things, whether our independent auditors are able to provide the required services in a more or less effective and efficient manner than other available service providers and whether the services are consistent with the PCAOB's rules.

All services for which the Company engaged its independent auditors in fiscal 2018 and 2017 were approved by the Audit Committee. The total fees for audit and non-audit services provided by Ernst & Young LLP in fiscal 2018 and fiscal 2017 are set forth above. The Audit Committee approved the engagement of Ernst & Young LLP to provide the non-audit services described above because it determined that Ernst & Young LLP providing these services would not compromise Ernst & Young LLP's independence and that the firm's familiarity with our record keeping and accounting systems would permit the firm to provide these services with equal or higher quality, more efficiently and at a lower cost than the Company could obtain these services from other providers.

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## Other Information

The Company has been advised by Ernst & Young LLP that neither the firm, nor any member of the firm, has any material interest, direct or indirect, in any capacity in the Company or its subsidiaries.

One or more representatives of Ernst & Young LLP will be present at the 2019 Annual Meeting. The representatives will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Assuming a quorum is present at the meeting, ratification of the appointment of the independent auditors requires the affirmative vote of a majority of all the votes cast, in person or by proxy, at the 2019 Annual Meeting.

The Board of Trustees recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP as independent auditors.

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## REPORT OF THE AUDIT COMMITTEE

In the course of the Audit Committee's oversight of the Company's financial reporting process, the Audit Committee has: (i) reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2018; (ii) discussed with Ernst & Young LLP, the Company's independent auditors, the matters required to be discussed under PCAOB Auditing Standard No. 1301; (iii) received the written disclosures and the letter from the auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence; (iv) discussed with the independent auditors their independence; and (v) considered whether the provision of non-audit services by the independent auditors is compatible with maintaining their independence and concluded that it is compatible at this time.

Based on the foregoing review and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018, for filing with the SEC.

John L. Harrington, Chair  
Lisa Harris Jones  
Jeffrey P. Somers

**SENIOR HOUSING PROPERTIES TRUST**

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## FREQUENTLY ASKED QUESTIONS

### Proxy Materials and Voting Information

#### **1. What is included in the proxy materials? What is a proxy statement and what is a proxy?**

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The proxy materials for the 2019 Annual Meeting include the Notice Regarding the Availability of Proxy Materials, Notice of 2019 Annual Meeting, this Proxy Statement and the Annual Report (collectively, the "proxy materials"). If you request a paper copy of these materials, the proxy materials will also include a proxy card or voting instruction form.

A proxy statement is a document that the SEC regulations require the Company to give you when it asks you to return a proxy designating individuals to vote on your behalf. A proxy is your legal designation of another person to vote the shares you own. That other person is called your proxy. We are asking you to designate the following three persons as your proxies for the 2019 Annual Meeting: Jennifer B. Clark, Managing Trustee and Secretary; Jennifer F. Francis (Mintzer), President and Chief Operating Officer; and Adam D. Portnoy, Managing Trustee.

#### **2. What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

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If your shares are registered directly in your name with the Company's registrar and transfer agent, Equiniti Shareowner Services, you are considered a shareholder of record of those shares. If you are a shareholder of record, you should receive only one notice or proxy card for all the Common Shares you hold in certificate form and in book entry form.

If your shares are held in an account you own at a bank or brokerage or you hold shares through another nominee, you are considered the "beneficial owner" of those shares. If you are a beneficial owner, you will receive voting instruction information from the bank, broker or other nominee through which you own your Common Shares.

If you hold some shares of record and some shares beneficially, you should receive a notice or proxy card for all the Common Shares you hold of record and a separate voting instruction form for the shares from the bank, broker or other nominee through which you own Common Shares.

#### **3. What different methods can I use to vote?**

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**By Written Proxy.** All shareholders of record can submit voting instructions by written proxy card. If you are a shareholder of record and receive a Notice Regarding the Availability of Proxy Materials, you may request a written proxy card by following the instructions included in the notice. If you are a beneficial owner, you may request a written proxy card or a voting instruction form from your bank, broker or other nominee. Proxies submitted by mail must be received by 11:59 p.m., Eastern time, on May 20, 2019 or, if the meeting is postponed or adjourned to a later date, by 11:59 p.m., Eastern time, on the day immediately preceding the date of the reconvened meeting.

**By Telephone or Internet.** All shareholders of record also can authorize a proxy to vote their shares by touchtone telephone by calling 1-800-690-6903, or through the internet at [www.proxyvote.com](http://www.proxyvote.com), using the procedures and instructions described in your Notice Regarding the Availability of Proxy Materials or proxy card. Beneficial owners may authorize a proxy by telephone or internet if their bank, broker or other



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nominee makes those methods available, in which case the bank, broker or nominee will include the instructions with the proxy voting materials. To authorize a proxy by telephone or internet, you will need the 16 digit control number provided on your Notice Regarding the Availability of Proxy Materials, proxy card or voting instruction form. The telephone and internet proxy authorization procedures are designed to authenticate shareholder identities, to allow shareholders to vote their shares and to confirm that their instructions have been recorded properly. Proxies submitted by telephone or through the internet must be received by 11:59 p.m., Eastern time, on May 20, 2019 or, if the meeting is postponed or adjourned to a later date, by 11:59 p.m., Eastern time, on the day immediately preceding the date of the reconvened meeting.

**In Person.** All shareholders of record may vote in person at the meeting. Beneficial owners may vote in person at the meeting if they have a legal proxy, as described in the response to question 12.

If you have any questions or need assistance in voting your shares or authorizing your proxy, please call the firm assisting the Company in the solicitation of proxies:

Morrow Sodali LLC  
470 West Avenue  
Stamford, Connecticut 06902  
Shareholders Call Toll Free: (800) 662-5200  
Banks and Brokers Call Collect: (203) 658-9400

#### **4. Who may vote at the 2019 Annual Meeting?**

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Holders of record of Common Shares as of the close of business on February 28, 2019, the record date, may vote at the meeting. Holders of Common Shares are entitled to one vote for each Common Share held on the record date.

#### **5. What if I authorize a proxy and do not specify how my shares are to be voted?**

---

If you submit a signed proxy card or authorize a proxy by internet or telephone, but do not indicate how your Common Shares should be voted on one or more proposals, then the proxies will vote your shares as the Board of Trustees recommends on those proposals. Other than the proposals listed on pages 12, 22 and 32, we do not know of any other matters to be presented at the meeting. If any other matters are properly presented at the meeting, the proxies may vote your shares in accordance with their best judgment.

#### **6. What is a quorum? How are abstentions and broker non-votes counted?**

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A quorum of shareholders is required for shareholders to take action at the 2019 Annual Meeting. The presence, in person or by proxy, of shareholders entitled to cast a majority of all the votes entitled to be cast at the 2019 Annual Meeting constitutes a quorum.

Abstentions and broker non-votes are included in determining whether a quorum is present. Abstentions are not votes cast and, therefore, will not be included in vote totals and will have no effect on the outcome of any Proposal to be acted upon at the 2019 Annual Meeting. Broker non-votes are not votes cast and, therefore, will not be included in vote totals and will have no effect on the outcome of Proposal 1 or 2. There can be no broker non-votes on Proposal 3 as it is a matter on which, if you hold your shares in street name and do not provide voting instructions to the broker, bank or other nominee that holds your shares, the nominee has discretionary authority to vote on your behalf.

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With respect to Proposal 1, a proxy marked "WITHHOLD" will have the same effect as an abstention and will not be counted for purposes of determining a plurality of votes cast, but will be counted as a vote "AGAINST" for purposes of determining a majority of votes cast under the Company's Trustee resignation policy. Pursuant to the Company's Governance Guidelines, if a Trustee nominee fails to receive a majority of votes cast, he or she will offer to resign from the Board, and the Board will decide whether to accept or reject the resignation offer.

## **7. What if I change my mind after I authorize a proxy to vote my shares?**

---

Shareholders have the right to revoke a proxy at any time before it is voted at the 2019 Annual Meeting, subject to the proxy voting deadlines described above. Shareholders may revoke a proxy by authorizing a proxy again on a later date by internet or by telephone (only the last internet or telephone proxy submitted prior to the meeting will be counted) or by signing and returning a later dated proxy card or by attending the meeting and voting in person. If you are a beneficial owner, see the response to [question 12](#).

A shareholder's attendance at the 2019 Annual Meeting will not revoke that shareholder's proxy unless that shareholder votes again at the meeting or sends an original written statement to the Secretary of the Company revoking the prior proxy. An original written notice of revocation or subsequent proxy should be delivered to Senior Housing Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458, Attention: Secretary, or hand delivered to the Secretary before the taking of the vote at the 2019 Annual Meeting.

Beneficial owners who wish to change their votes should contact the organization that holds their shares.

## **8. Can I access the proxy materials on the internet? How can I sign up for the electronic proxy delivery service?**

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The Notice of 2019 Annual Meeting, this Proxy Statement and the Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com). You may access these proxy materials on the internet through the conclusion of the 2019 Annual Meeting.

Instead of receiving future copies of the Company's proxy materials by mail, shareholders of record and most beneficial owners may elect to receive these materials electronically. Opting to receive your future proxy materials electronically will reduce the environmental impact of our annual meeting, save us the cost of printing and mailing documents, and also will give you an electronic link to our proxy voting site. Your Notice Regarding the Availability of Proxy Materials instructs you as to how you may request electronic delivery of future proxy materials.

## **9. How are proxies solicited and what is the cost?**

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The Company bears all expenses incurred in connection with the solicitation of proxies. The Company has engaged Morrow Sodali LLC ("Morrow Sodali") to assist with the solicitation of proxies for an estimated fee of \$20,000 plus reimbursement of expenses. The Company has agreed to indemnify Morrow Sodali against certain liabilities arising out of the Company's agreement with Morrow Sodali. We will request banks, brokers and other nominees to forward proxy materials to the beneficial owners of Common Shares and to obtain their voting instructions. We will reimburse those firms for their expenses of forwarding proxy materials.

Proxies may also be solicited, without additional compensation, by the Company's Trustees and officers, and by RMR LLC, its officers and employees and its parent's and subsidiaries' directors, officers and employees, by mail, telephone or other electronic means or in person.

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## 10. What is householding?

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As permitted by the Exchange Act, we may deliver only one copy of the Notice Regarding the Availability of Proxy Materials, Notice of 2019 Annual Meeting, this Proxy Statement and the Annual Report to shareholders residing at the same address, unless the shareholders have notified us of their desire to receive multiple copies of those documents. This practice is known as "householding."

We will deliver a separate copy of any of those documents to you if you write to the Company at Investor Relations, Senior Housing Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458, or call the Company at (617) 796-8234. If you want to receive separate copies of our notices regarding the availability of proxy materials, notices of annual meetings, proxy statements and annual reports in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker or other nominee, or you may contact us at the above address or telephone number.

## 2019 Annual Meeting Information

## 11. How do I attend the 2019 Annual Meeting in person?

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Attendance at the meeting is limited to the Company's Trustees and officers, shareholders as of the record date (February 28, 2019) or their duly authorized representatives or proxies, and other persons permitted by the Chairman of the meeting. All attendees need photo identification for admission.

**Record owners:** If you are a shareholder as of the record date who holds shares directly, you need not present any documentation to attend the 2019 Annual Meeting, other than photo identification.

**Beneficial owners:** If you are a shareholder as of the record date who holds shares indirectly through a brokerage firm, bank or other nominee, you must present evidence of your beneficial ownership of shares. For this purpose, a copy of a letter or account statement from the applicable brokerage firm, bank or other nominee confirming such ownership will be acceptable and such copy may be retained by the Company. Please note that you will not be able to vote your shares at the meeting without a legal proxy, as described in the response to [question 12](#).

If you have questions regarding these admission procedures, please call Investor Relations at (617) 796-8234.

## 12. How can I vote in person at the meeting if I am a beneficial owner?

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If you are a beneficial owner and want to vote your shares at the 2019 Annual Meeting, you need a legal proxy from your bank, broker or other nominee. You also need to follow the procedures described in the response to [question 11](#) and to bring the legal proxy with you to the meeting and hand it in with a signed ballot that will be provided to you at the meeting. You will not be able to vote your shares at the meeting without a legal proxy. If you do not have a legal proxy, you can still attend the meeting by following the procedures described in the response to [question 11](#). However, you will not be able to vote your shares at the meeting without a legal proxy. The Company encourages you to vote your shares in advance, even if you intend to attend the meeting.

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## **Company Documents, Communications and Shareholder Proposals**

### **13. How can I view or request copies of the Company's SEC filings and other documents?**

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You can visit our website to view our Governance Guidelines, Board committee charters and the Code. To view these documents, go to [www.snhreit.com](http://www.snhreit.com), click on "Investors" and then click on "Governance." To view the Company's SEC filings and Forms 3, 4 and 5 filed by the Company's Trustees and executive officers, go to [www.snhreit.com](http://www.snhreit.com), click on "Investors," click on "Financial Information" and then click on "SEC Filings."

We will deliver free of charge, upon request, a copy of the Company's Governance Guidelines, Board committee charters, Code or Annual Report to any shareholder requesting a copy. Requests should be directed to Investor Relations at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

### **14. How can I communicate with the Company's Trustees?**

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Any shareholder or other interested person who wants to communicate with the Company's Trustees, individually or as a group, should write to the party for whom the communication is intended, c/o Secretary, Senior Housing Properties Trust, Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458 or email [secretary@snhreit.com](mailto:secretary@snhreit.com). The communication will then be delivered to the appropriate party or parties.

### **15. How do I submit a proposal for action at the 2020 annual meeting of shareholders?**

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A proposal for action to be presented by any shareholder at the Company's 2020 annual meeting of shareholders must be submitted as follows:

For a proposal to be eligible to be included in the proxy statement pursuant to Rule 14a-8 under the Exchange Act, the proposal must be received at the Company's principal executive offices by December 7, 2019.

If the proposal is not to be included in the proxy statement pursuant to Rule 14a-8, the proposal must be made in accordance with the procedures and requirements set forth in our Bylaws and must be received by the Company not later than 5:00 p.m., Eastern time, on December 7, 2019 and not earlier than November 7, 2019.

Proposals should be sent to the Company's Secretary at Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458.

For additional information regarding how to submit a shareholder proposal, see page 11 of this Proxy Statement.

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## RELATED PERSON TRANSACTIONS

The descriptions of agreements in this "Related Person Transactions" section do not purport to be complete and are subject to, and qualified in their entirety by, reference to the actual agreements, copies of certain of which are filed as exhibits to the Annual Report.

A "related person transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which (i) the Company was, is or will be a participant, (ii) the amount involved exceeds \$120,000 and (iii) any related person had, has or will have a direct or indirect material interest.

A "related person" means any person who is, or at any time since January 1, 2018 was:

a Trustee, a nominee for Trustee or an executive officer of the Company;

known to the Company to be the beneficial owner of more than 5.0% of the outstanding Common Shares when a transaction in which such person had a direct or indirect material interest occurred or existed;

an immediate family member of any of the persons referenced in the preceding two bullets, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of any of the persons referenced in the preceding two bullets, and any person (other than a tenant or employee) sharing the household of any of the persons referenced in the preceding two bullets; or

a firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10.0% or greater beneficial ownership interest.

The Company has adopted written Governance Guidelines that describe the consideration and approval of related person transactions. Under these Governance Guidelines, the Company may not enter a transaction in which any Trustee or executive officer, any member of the immediate family of any Trustee or executive officer or other related person, has or will have a direct or indirect material interest unless that transaction has been disclosed or made known to the Board and the Board reviews and approves or ratifies the transaction by the affirmative vote of a majority of the disinterested Trustees, even if the disinterested Trustees constitute less than a quorum. If there are no disinterested Trustees, the transaction must be reviewed, authorized and approved or ratified by both (i) the affirmative vote of a majority of the Board and (ii) the affirmative vote of a majority of the Independent Trustees. In determining whether to approve or ratify a transaction, the Board, or disinterested Trustees or Independent Trustees, as the case may be, also act in accordance with any applicable provisions of the Company's Declaration of Trust and Bylaws and consider all of the relevant facts and circumstances and approve only those transactions that they determine are fair and reasonable to the Company. All related person transactions described below were reviewed and approved or ratified by a majority of the disinterested Trustees or otherwise in accordance with the Company's policies, Declaration of Trust and Bylaws, each as described above. In the case of transactions with the Company by employees of RMR Inc. and its subsidiaries who are subject to the Code but who are not Trustees or executive officers of the Company, the employee must seek approval from an executive officer who has no interest in the matter for which approval is being requested. Copies of the Company's Governance Guidelines and the Code are available on the Company's website, [www.snhreit.com](http://www.snhreit.com).

### Certain Related Person Transactions

*Relationship with FVE.* FVE was the Company's 100% owned subsidiary until the Company distributed its common shares to the Company's shareholders in 2001. The Company is currently one of FVE's largest stockholders, beneficially owning, as of December 31, 2018, 4,235,000 FVE common shares, or 8.3% of FVE's outstanding common shares. FVE is the Company's largest tenant and the manager of the Company's managed senior living communities.



## Edgar Filing: SENIOR HOUSING PROPERTIES TRUST - Form DEF 14A

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RMR LLC provides management services to both the Company and FVE. RMR Inc., the managing member of RMR LLC, is controlled by Adam Portnoy as the sole trustee of ABP Trust. As of December 31, 2018, ABP Acquisition LLC ("ABP"), a wholly owned subsidiary of ABP Trust, the controlling shareholder of RMR Inc., owned 35.4% of FVE's outstanding common shares. One of the Company's Managing Trustees, Adam D. Portnoy, serves as a managing director of FVE. Barry M. Portnoy, Adam Portnoy's father, was one of the Company's Managing Trustees and a managing director of FVE until his death on February 25, 2018. FVE's president and chief executive officer and executive vice president, chief financial officer and treasurer are officers and employees of RMR LLC.

In order to effect the distribution of FVE common shares to the Company's shareholders in 2001 and to govern the Company's relations with FVE thereafter, FVE entered agreements with the Company and others, including RMR LLC. Since then, the Company has entered various leases, management agreements and other agreements with FVE that include provisions that confirm and modify these undertakings. Among other things, these agreements provide that:

so long as the Company remains a REIT, FVE may not waive the share ownership restrictions in its charter that prohibit any person or group from acquiring more than 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of any class of FVE stock without the Company's consent;

so long as FVE is the Company's tenant or manager, FVE will not permit nor take any action that, in the Company's reasonable judgment, might jeopardize the Company's qualification for taxation as a REIT;

the Company has the right to terminate the leases and management agreements it has with FVE upon the acquisition by a person or group of more than 9.8% of FVE's voting stock or other change in control events, as defined therein, affecting FVE, including the adoption of any shareholder proposal (other than a precatory proposal) or the election to FVE's board of directors of any individual, if such proposal or individual was not approved, nominated or appointed, as the case may be, by a majority of FVE's directors in office immediately prior to the making of such proposal or the nomination or appointment of such individual; and

so long as FVE is a tenant of the Company or manager for the Company or has a business management agreement with RMR LLC, FVE will not acquire or finance any real estate of a type then owned or financed by the Company or any other company managed by RMR LLC without first giving the Company or such company managed by RMR LLC, as applicable, the opportunity to acquire or finance that real estate.

*The Company's Senior Living Communities Leased by FVE.* The Company is FVE's largest landlord and FVE is the Company's largest tenant. As of December 31, 2018, the Company leased 184 senior living communities to FVE pursuant to the following five leases with FVE:

Lease No. 1, which expires in 2024 and includes 82 independent living communities, assisted living communities and skilled nursing facilities ("SNFs").

Lease No. 2, which expires in 2026 and includes 47 independent living communities, assisted living communities and SNFs.

Lease No. 3, which expires in 2028 and includes 17 independent living communities and assisted living communities.

Lease No. 4, which expires in 2032 and includes 29 independent living communities, assisted living communities and SNFs.

Lease No. 5, which expires in 2028 and includes nine assisted living communities.

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Under the Company's leases with FVE, FVE pays the Company annual rent plus percentage rent. The percentage rent is equal to 4.0% of the increase in gross revenues at certain of the Company's senior living communities over base year gross revenues as specified in the applicable lease. FVE's obligation to pay percentage rent under Lease No. 5 commenced in 2018. The Company determines percentage rent



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due under these leases annually and recognizes it when all contingencies are met, which is typically at year end. The Company recognized total rental income from FVE of approximately \$212.6 million (including percentage rent of approximately \$5.5 million) for the year ended December 31, 2018. As of December 31, 2018, FVE's total annual rent payable to the Company was approximately \$207.7 million, excluding percentage rent. Under the Company's leases with FVE, FVE has the option to extend the lease term for two consecutive 10 or 15 year terms. The Company has the right, in connection with a financing or other capital raising transaction, to reassign one or more of the communities covered by Lease No. 3 or Lease No. 5 to another of our long term lease agreements with FVE.

The Company's leases with FVE are "triple net" leases, which generally require FVE to pay rent and all property operating expenses, to indemnify the Company from liability which may arise by reason of the Company's ownership of the properties, to maintain the properties at FVE's expense, to remove and dispose of hazardous substances on the properties in compliance with applicable law and to maintain insurance on the properties for FVE's and the Company's benefit. In the event of any damage, or immaterial condemnation, of a leased property, FVE is generally required to rebuild with insurance or condemnation proceeds or, if such proceeds are insufficient, other amounts made available by the Company, if any, but if other amounts are made available by the Company, the rent will be increased accordingly. In the event of any material or total condemnation of a leased property, the lease will terminate with respect to that leased property, in which event the Company will be entitled to the condemnation proceeds and the rent will be reduced accordingly. In the event of any material or total destruction of a leased property, FVE may terminate the lease with respect to that leased property, in which event FVE will be required to pay the Company any shortfall in the amount of proceeds the Company receives from insurance compared to the replacement cost of that leased property and the rent will be reduced accordingly.

Under the Company's leases with FVE, FVE may request that the Company purchase certain improvements to the leased communities in return for increases in annual rent in accordance with a formula specified in the applicable lease; however, the Company is not obligated to purchase such improvements and FVE is not obligated to sell them to the Company. During the year ended December 31, 2018, the Company purchased approximately \$18.0 million of such improvements, and FVE's annual rent payable to the Company increased by approximately \$1.4 million, in accordance with the terms of the applicable leases. Under certain of the Company's leases with FVE, if and when FVE requests that the Company purchase improvements related to certain construction, expansion and development projects at certain of the Company's senior living communities leased to FVE, FVE's annual rent payable to the Company will increase by an amount equal to the interest rate then applicable to the Company's borrowings under the Company's revolving credit facility plus 2.0% per annum of the amount the Company purchased. This amount of increased rent will apply until 12 months after a certificate of occupancy is issued with respect to the project; thereafter, FVE's annual rent payable to us will be revised to equal the amount otherwise determined pursuant to the capital improvement formula specified in the applicable lease.

In June 2018, the Company sold one SNF that was leased to FVE for a sales price of approximately \$6.5 million, excluding closing costs, resulting in a gain of approximately \$3.7 million. Pursuant to the terms of the Company's lease with FVE, the Company's annual rental income decreased by approximately \$0.7 million from the sale of the SNF that was previously leased to FVE.

Also in June 2018, the Company acquired from a third party an additional living unit at a senior living community located in Florida that FVE leases from the Company and this additional unit was added to the lease for that senior living community. As a result of this acquisition, FVE's annual rent payable to the Company increased by \$14.0 thousand in accordance with the terms of such lease.

The Company and FVE have agreed to sell three skilled nursing facilities located in California that the Company owns and leases to FVE for a sales price of approximately \$21.5 million, excluding closing costs. These sales are subject to conditions; as a result, these sales may not occur, they may be delayed or their terms may change.

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FVE recently announced that, due to current senior living industry conditions and its recurring operating losses, which are expected to continue through at least 2019, and the risk that it may not be able to obtain sufficient funding for its operating requirements, there is substantial doubt about FVE's ability to continue as a going concern. On March 11, 2019, the Company entered into a letter agreement with FVE, pursuant to which, with respect to Leases No. 1 to 5, the Company agreed to defer, until March 31, 2019, payment of the aggregate Minimum Rent (as defined in the applicable lease agreements) due and payable by FVE to the Company under the lease agreements for February 2019. On April 1, 2019, the Company entered into a transaction agreement with FVE (the "Transaction Agreement"), pursuant to which the Company agreed to modify the Company's existing business arrangements with FVE, including the Company's leases with FVE, subject to certain conditions and the receipt of various approvals, as described in detail below. The Company cannot be sure whether the transactions contemplated by the Transaction Agreement will be completed or whether FVE will be able to continue as a going concern.

*The Company's Senior Living Communities Managed by FVE.* As of December 31, 2018, the Company owned 76 senior living communities that were managed by FVE. The Company leases the senior living communities that are managed by FVE and include assisted living units or SNF units to the Company's taxable REIT subsidiaries ("TRSs"), and FVE manages these communities pursuant to long term management agreements. As described in detail below, pursuant to the Transaction Agreement the Company has also agreed to modify the Company's long term management agreements with FVE, subject to certain conditions and the receipt of various approvals.

Pending the effectiveness of such modifications, the Company and FVE have pooling agreements that combine most of the Company's assisted living management agreements. The pooling agreements combine various calculations of revenues and expenses from the operations of the applicable communities covered by such agreements. The Company's assisted living management agreements and pooling agreements generally provide that FVE receives:

a management fee equal to either 3.0% or 5.0% of the gross revenues realized at the applicable communities,

reimbursement for its direct costs and expenses related to such communities,

an annual incentive fee equal to either 35.0% or 20.0% of the annual net operating income of such communities remaining after the Company realizes an annual minimum return equal to either 8.0% or 7.0% of the Company's invested capital, or, in the case of certain of the communities, a specified amount plus 7.0% of the Company's invested capital since December 31, 2015, and

a fee for its management of capital expenditure projects equal to 3.0% of amounts funded by the Company.

Under certain of the Company's management and pooling agreements with FVE, for certain construction, expansion and development projects at certain of the Company's senior living communities managed by FVE, the Company's minimum return on invested capital for these specific projects will increase by an amount equal to the interest rate then applicable to our borrowings under the Company's revolving credit facility plus 2.0% per annum. This amount of increased minimum return will apply until 12 months after a certificate of occupancy is issued with respect to the project; thereafter, the amount of annual minimum return on invested capital will be revised to equal the amount otherwise determined pursuant to the applicable management and pooling agreements. In addition, the commencement of the measurement period for determining whether the specified annual minimum return under the applicable management and pooling agreements has been achieved will be deferred until 12 months after a certificate of occupancy is issued with respect to the project.

The Company's management agreements with FVE for the part of the Company's senior living community located in Yonkers, New York that is not subject to the requirements of New York healthcare licensing laws, as described elsewhere herein, and for the assisted living communities owned by the Company and located in Villa Valencia, California, Aurora, Colorado and Happy Valley, Oregon are not currently included in any of the Company's pooling agreements with FVE.



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The Company also has a pooling agreement with FVE that combines the Company's management agreements with FVE for senior living communities consisting only of independent living units.

The Company's management agreements with FVE generally expire between 2030 and 2042, and are subject to automatic renewal for two consecutive 15 year terms, unless earlier terminated or timely notice of nonrenewal is delivered. These management agreements also generally provide that the Company, and in some cases FVE, each have the option to terminate the agreements upon the acquisition by a person or group of more than 9.8% of the other's voting stock and upon certain change in control events affecting the other party, as defined in the applicable agreements, including the adoption of any shareholder proposal (other than a precatory proposal) with respect to the other party, or the election to the board of directors or trustees, as applicable, of the other party of any individual, if such proposal or individual was not approved, nominated or appointed, as the case may be, by a majority of the other party's board of directors or board of trustees, as applicable, in office immediately prior to the making of such proposal or the nomination or appointment of such individual.

In January 2018, February 2018 and June 2018, the Company acquired, and FVE began managing for the Company's account, pursuant to a transaction agreement entered with FVE in November 2017, one senior living community located in Tennessee with 88 living units for \$19.9 million, including closing costs of \$0.2 million, one senior living community located in Arizona with 127 living units for \$22.6 million, including the Company's assumption of approximately \$16.7 million of mortgage debt principal and closing costs of \$0.4 million and two senior living communities located in Tennessee with a combined 151 living units for \$23.9 million, including the Company's assumption of approximately \$16.9 million of mortgage debt principal and closing costs of \$0.6 million, respectively, and, in connection with those acquisitions, the Company entered management agreements with FVE for each of these senior living communities and two new pooling agreements with FVE. Pursuant to the terms of the management and pooling agreements for three of these senior living communities, the Company will pay FVE a management fee equal to 5.0% of the gross revenues realized at these communities plus reimbursement for FVE's direct costs and expenses related to its operation of these communities, as well as an annual incentive fee equal to 20.0% of the annual net operating income of such communities remaining after the Company realizes an annual minimum return equal to 7.0% of the Company's invested capital for these senior living communities. The terms of the management and pooling agreement for the senior living community located in Tennessee that was acquired in January 2018, which is subject to an ongoing construction, expansion and development project, are substantially the same as the terms of the management and pooling agreements for the other three senior living communities that the Company acquired in February and June 2018, except that the Company's annual minimum return on invested capital related to the ongoing construction and development project at this community will be an amount equal to the interest rate then applicable to borrowings under the Company's revolving credit facility plus 2.0% per annum. This amount of minimum return will apply until the earlier of 12 months after a certificate of occupancy is issued with respect to the project and the third anniversary of the Company's acquisition of this community; thereafter, the amount of annual minimum return on invested capital related to this project will be 7.0% of the Company's invested capital. Also pursuant to the terms of the management and pooling agreements for these senior living communities, the Company will pay FVE a fee for its management of capital expenditure projects at these senior living communities equal to 3.0% of amounts funded by the Company. The terms of these management and pooling agreements will expire in 2041 and will be subject to automatic renewals for two 15 year periods thereafter, unless earlier terminated or timely notices of nonrenewal are delivered.

In June 2018, FVE began managing for the Company's account, pursuant to a management agreement and an existing pooling agreement with FVE, a senior living community the Company owns located in California with 98 living units after the previous tenant defaulted on its lease with the Company. The Company's annual minimum return on invested capital related to the ongoing construction and development project at this community will be an amount equal to the interest rate then applicable to borrowings under the Company's revolving credit facility plus 2.0% per annum. This amount of minimum return will apply until the earlier of 12 months after a certificate of occupancy is issued with respect to the project and the third anniversary of the Company's acquisition of this community; thereafter, the amount of annual minimum return on invested capital related to this project will be 7.0% of our invested capital.

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In November 2018, FVE began managing for the Company's account, pursuant to a management agreement with FVE, a senior living community the Company owns located in Colorado with 238 living units after the previous tenant defaulted on its lease with the Company. The Company and FVE both have the option to terminate the management agreement with respect to this community as of December 31, 2019.

In April 2019, FVE began managing for the Company's account, pursuant to a management agreement with FVE, a senior living community the Company owns located in Oregon with 369 living units after the previous tenant defaulted on its lease with the Company. The Company and FVE both have the option to terminate the management agreement with respect to this community as of December 31, 2019.

*The April 2019 Transaction Agreement with FVE.* In April 2019, the Company entered into the Transaction Agreement with FVE. Among other things, the Transaction Agreement provides that, subject to approval by FVE's stockholders of the FVE Share Issuances (as defined below) and receipt of other required approvals, effective January 1, 2020 (or January 1, 2021 if extended under the Transaction Agreement) (the "Conversion Time"):

the Company's five existing master leases with FVE for 184 of the Company's senior living communities that are leased by FVE, as well as the Company's existing management agreements and pooling agreements with FVE for 77 of the Company's senior living communities that are operated by FVE, will be terminated and replaced (the "Conversion"), with new management agreements for all 261 of these senior living communities (collectively, the "New Management Agreements");

FVE will issue to the Company such number of FVE common shares as is necessary to cause the Company to own, when considered together with the Company's then owned FVE common shares, approximately 34% of the then outstanding FVE common shares, and the Company will declare a pro rata distribution to holders of the Common Shares of the right to receive, and FVE will issue on a pro rata basis to such holders, a number of FVE common shares which equals approximately 51% of the then outstanding FVE common shares (together, the "FVE Share Issuances"); the noted percentage ownership amounts are post-issuance, giving effect to the FVE Share Issuances; and

as consideration for the FVE Share Issuances, the Company will provide to FVE \$75.0 million of additional consideration (collectively with the Conversion and the FVE Share Issuances, the "FVE Restructuring Transactions").

Also pursuant to the Transaction Agreement: (1) commencing February 1, 2019, the aggregate amount of monthly minimum rent payable to the Company by FVE is \$11.0 million, subject to adjustment, and no additional rent is payable to the Company by FVE from such date to the Conversion Time; and (2) on April 1, 2019, the Company purchased from FVE approximately \$50.0 million of unencumbered Qualifying PP&E (as defined in the Transaction Agreement) related to the Company's senior living communities leased and operated by FVE, which amount is subject to adjustment but will not exceed \$60.0 million.

The FVE Restructuring Transactions are subject to conditions, including, among others: (1) approval of the FVE Share Issuances by at least a majority of the votes cast, in person or by proxy, by the holders of outstanding FVE common shares at any meeting of FVE's stockholders held for that purpose (the "FVE Stockholder Approval"); (2) the receipt of all Required Licenses (as defined in the Transaction Agreement) and any other third party consent or approval required for the consummation of the FVE Restructuring Transactions; (3) the effectiveness of the registration statement on Form S-1 to be filed by FVE with the SEC to register the FVE common shares to be issued pursuant to the FVE Share Issuances; and (4) approval by the Nasdaq of the listing of the FVE common shares to be issued pursuant to the FVE Share Issuances, subject to official notice of issuance.

If any required approval (other than the FVE Stockholder Approval) is not obtained by December 31, 2019, and the failure to obtain such approval is not the result of a breach or default by FVE under the Transaction Agreement, the Company and FVE have agreed to work in good faith to determine an alternative to allow the FVE Restructuring Transactions to occur on January 1, 2020; provided the



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Company is not required to agree to any alternative that would adversely affect the Company's qualification for taxation as a REIT under the Internal Revenue Code of 1986, as amended. If the Company and FVE do not agree to any such alternative, and, as of January 1, 2020, the failure to obtain a required approval is the only remaining condition under the Transaction Agreement, the Conversion Time will be automatically extended to January 1, 2021.

If the FVE Stockholder Approval is not obtained by December 31, 2019, and the Company does not elect to extend the Transaction Agreement, the Transaction Agreement will terminate, the Company's existing master leases and management agreements and pooling agreements with FVE will remain in effect, and the amount of monthly minimum rent payable to the Company by FVE under the Company's existing master leases with FVE will return to the rate provided for therein and additional rent again will be payable to the Company by FVE in accordance therewith. If the FVE Stockholder Approval is obtained by December 31, 2019, the Company's existing master leases with FVE will remain at \$11.0 million per month, subject to adjustment, regardless of whether the Transaction Agreement is extended and/or is terminated.

FVE has agreed to, within six months following the Conversion Time, expand its board of directors to add an independent director (as defined in FVE's bylaws) reasonably satisfactory to the Company. In addition, the Company and ABP Trust, FVE's largest stockholder (through its subsidiary), have each agreed to vote all the FVE common shares that the Company and ABP Trust beneficially own in favor of approval of the FVE Share Issuances at any meeting of FVE's stockholders held for that purpose.

Pursuant to the New Management Agreements, FVE will receive a management fee equal to 5% of the gross revenues realized at the applicable senior living communities plus reimbursement for its direct costs and expenses related to such communities, as well as an annual incentive fee equal to 15% of the amount by which the annual EBITDA of all communities on a combined basis exceeds the target EBITDA for all communities on a combined basis for such calendar year, provided that in no event shall the incentive fee be greater than 1.5% of the gross revenues realized at all communities on a combined basis for such calendar year.

The New Management Agreements provide for 15 year terms, subject to FVE's right to extend for two consecutive five year terms if it achieves certain performance targets for the combined managed communities portfolio. The New Management Agreements also provide the Company with the right to terminate the New Management Agreement for any community that does not earn 90% of the target EBITDA for such community for two consecutive calendar years or in any two of three consecutive calendar years, with the measurement period commencing January 1, 2021 (and the first termination not possible until the beginning of calendar year 2023), provided the Company may not in any calendar year terminate communities representing more than 20% of the combined revenues for all communities for the calendar year prior to such termination.

In connection with the Transaction Agreement, the Company entered into a credit agreement with FVE, pursuant to which the Company extended to FVE a \$25.0 million line of credit (the "Credit Facility"), which is secured by six senior living communities owned by FVE. The Credit Facility matures on January 1, 2020, or January 1, 2021 if the Conversion Time is extended pursuant to the Transaction Agreement. The Credit Facility provides for interest to be paid on borrowed amounts at a rate of 6% per year and is secured by real estate mortgages on six senior living communities owned by certain of FVE's subsidiaries that guarantee FVE's obligations under the Credit Facility, and certain personal property owned by those and certain other FVE subsidiaries. The Credit Facility provides for acceleration of payment of all amounts outstanding under the Credit Facility upon the occurrence and continuation of certain events of default, including a default by FVE under the Transaction Agreement and certain other agreements. The agreement governing the Credit Facility contains various covenants, including covenants that restrict FVE's ability to incur debt or to pay dividends or make other distributions to its stockholders in certain circumstances.

*D&R Yonkers LLC.* The Company owns a senior living community in New York with 310 living units, a part of which is managed by FVE pursuant to a long term management agreement with the Company with

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respect to the senior living units at this community that are not subject to the requirements of New York healthcare licensing laws. The terms of this management agreement are substantially consistent with the terms of the Company's other management agreements with FVE for communities that include assisted living units, and that provide for a management fee payable to FVE equal to 5.0% of the gross revenues realized, except there is no incentive fee payable by the Company to FVE. This management agreement expires on December 31, 2031.

In order to accommodate certain requirements of New York healthcare licensing laws, one of the Company's TRSs subleases the part of this community that is subject to the requirements of those laws to D&R Yonkers LLC, an entity which is owned by the Company's former President and Chief Operating Officer and FVE's chief financial officer and treasurer. FVE manages this part of the community pursuant to a long term management agreement with D&R Yonkers LLC under which FVE earns a management fee equal to 3.0% of the gross revenues realized at that part of the community and no incentive fee is payable to FVE. D&R Yonkers LLC's management agreement with FVE expires on August 31, 2022, and is subject to renewal for eight consecutive five year terms, unless earlier terminated or timely notice of nonrenewal is delivered. The Company has entered into an indemnification agreement with the owners of D&R Yonkers LLC, pursuant to which the Company has agreed to indemnify them for costs, losses and expenses they may sustain by reason of being a member, director or officer of D&R Yonkers LLC or in connection with any costs, losses or expenses under the Company's TRS's sublease with D&R Yonkers LLC or the management agreement between D&R Yonkers LLC and FVE.

The Company incurred management fees of approximately \$14.4 million for the year ended December 31, 2018 with respect to the communities FVE manages for the Company. In addition to management services to the Company, FVE also provides certain other services to residents at some of the senior living communities it manages for the Company, such as rehabilitation services. At senior living communities FVE manages for the Company where FVE provides rehabilitation services on an outpatient basis, the residents, third party payers or government programs pay FVE for those rehabilitation services. At senior living communities FVE manages for the Company where FVE provides both inpatient and outpatient rehabilitation services, the Company generally pays FVE for these services and charges for these services are included in amounts charged to residents, third party payers or government programs. The Company incurred fees of approximately \$6.4 million for the year ended December 31, 2018 with respect to rehabilitation services FVE provided at senior living communities it manages for the Company that are payable by the Company.

*Relationships with RMR LLC and Others Related to It.* The Company has relationships and historical and continuing transactions with RMR LLC, RMR Inc., and others related to them. One of the Company's Managing Trustees, Adam Portnoy, as the sole trustee of ABP Trust, is the controlling shareholder of RMR Inc., is a managing director and the president and chief executive officer of RMR Inc. and an officer and employee of RMR LLC. Barry Portnoy was the Company's other Managing Trustee and a managing director and an officer of RMR Inc. and an officer and employee of RMR LLC until his death on February 25, 2018. Jennifer B. Clark, the Company's other Managing Trustee and the Company's President and Chief Operating Officer, Jennifer F. Francis (Mintzer), who succeeded David Hegarty as the Company's President and Chief Operating Officer, effective May 1, 2018, and each of the Company's other officers is also an officer and employee of RMR LLC.

The Company's Independent Trustees also serve as independent trustees or independent directors of other public companies to which RMR LLC or its subsidiaries provide management services. Adam Portnoy serves, and, until his death, Barry Portnoy served, as a managing director or managing trustee of these companies and other officers of RMR LLC serve as managing trustees or managing directors of certain of these companies. In addition, officers of RMR LLC and RMR Inc. serve as the Company's officers and officers of other companies to which RMR LLC or its subsidiaries provide management services.

RMR LLC or its subsidiaries provide management services to four other Nasdaq listed REITs: HPT, which owns hotels and travel centers; OPI, which owns buildings primarily leased to single tenants and those with high credit quality characteristics, such as government tenants; ILPT, which owns industrial and



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logistics properties; and TRMT, which primarily originates and invests in first mortgage loans secured by middle market and transitional commercial real estate. RMR LLC also provides services to other publicly and privately owned companies, including: FVE, the Company's largest tenant and manager, which is listed on the Nasdaq and operates senior living communities; TA, which is listed on the Nasdaq and operates and franchises travel centers and restaurants; and Sonesta International Hotels Corporation ("Sonesta"), which operates, manages and franchises hotels, resorts and cruise ships. A subsidiary of RMR LLC is an investment adviser to RIF, a closed end investment company listed on the NYSE American, which invests in securities of real estate companies that are not managed by RMR LLC.

The Company has no employees. The personnel and various services the Company requires to operate the Company's business are provided to the Company by RMR LLC. The Company has two agreements with RMR LLC to provide management services to the Company: (i) a business management agreement, which relates to the Company's business generally, and (ii) a property management agreement, which relates to the property level operations of the Company's properties leased to medical providers, medical related businesses, clinics and biotech laboratory tenants ("MOBs"). Both of these agreements are described below, see " Management Agreements with RMR LLC." The Company also has a subsidiary level management agreement with RMR LLC related to one of the Company's MOBs located in Boston, Massachusetts, which the Company entered in connection with the joint venture arrangement for that MOB. Under that agreement, the Company's subsidiary pays RMR LLC certain business management fees directly, which fees are credited against the business management fees payable by the Company to RMR LLC.

*Ownership Interest in RMR Inc. and Registration and Lock-up Agreements.* The Company currently holds 2,637,408 shares of class A common stock of RMR Inc., which the Company acquired in June 2015 in a transaction pursuant to which, among other things, the Company and three other REITs then managed by RMR LLC acquired class A common stock of RMR Inc. and entered into amended and restated business and property management agreements with RMR LLC. The Company is party to a registration rights agreement with RMR Inc. covering the shares of class A common stock of RMR Inc. issued to the Company in this transaction, pursuant to which the Company has demand and piggyback registration rights, subject to certain limitations.

The Company is also party to a lock up and registration rights agreement with ABP Trust, Adam Portnoy and Barry Portnoy pursuant to which they (on behalf of themselves and their permitted transferees) agreed not to transfer the 2,345,000 Common Shares that ABP Trust received in this transaction for a 10 year period ending on June 5, 2025 and they have certain demand and piggyback registration rights, subject, in each case, to certain exceptions.

*Management Agreements with RMR LLC.* The Company's management agreements with RMR LLC provide for an annual base management fee, an annual incentive management fee and property management and construction supervision fees, payable in cash, among other terms:

*Base Management Fee.* The annual base management fee payable to RMR LLC by the Company for each applicable period is equal to the lesser of:

- the sum of (a) 0.5% of the daily weighted average of the aggregate book value of the Company's real estate assets owned by the Company or its subsidiaries as of October 12, 1999 (the "Transferred Assets"), plus (b) 0.7% of the average aggregate historical cost of the Company's real estate investments excluding the Transferred Assets up to \$250.0 million, plus (c) 0.5% of the average aggregate historical cost of the Company's real estate investments excluding the Transferred Assets exceeding \$250.0 million; and
- the sum of (a) 0.7% of the average closing price per Common Share on the stock exchange on which such Common Shares are principally traded during such period, multiplied by the average number of Common Shares outstanding during such period, plus the daily weighted average of the aggregate liquidation preference of each class of the Company's preferred shares outstanding during such period, plus the daily weighted average of the aggregate principal amount of the Company's consolidated indebtedness during such period (together,



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the "Company's Average Market Capitalization"), up to \$250.0 million, plus (b) 0.5% of the Company's Average Market Capitalization exceeding \$250.0 million.

The average aggregate historical cost of the Company's real estate investments includes the Company's consolidated assets invested, directly or indirectly, in equity interests in or loans secured by real estate and personal property owned in connection with such real estate (including acquisition related costs and costs which may be allocated to intangibles or are unallocated), all before reserves for depreciation, amortization, impairment charges or bad debts or other similar non-cash reserves.

*Incentive Management Fee.* The incentive management fee which may be earned by RMR LLC for an annual period is calculated as follows:

- An amount, subject to a cap, based on the value of the outstanding Common Shares, equal to 12.0% of the product of:
    - § the Company's equity market capitalization on the last trading day of the year immediately prior to the relevant three year measurement period, and
    - § the amount (expressed as a percentage) by which the total return per share, as defined in the business management agreement and further described below, of the holders of Common Shares (i.e., share price appreciation plus dividends) exceeds the total shareholder return of the SNL U.S. REIT Healthcare Index, or the benchmark return per share, for the relevant measurement period.
- For purposes of the total return per share of the holders of Common Shares, share price appreciation for a measurement period is determined by subtracting (1) the closing price of the Common Shares on the Nasdaq on the last trading day of the year immediately before the first year of the applicable measurement period, or the initial share price, from (2) the average closing price of the Common Shares on the 10 consecutive trading days having the highest average closing prices during the final 30 trading days in the last year of the measurement period.
- The calculation of the incentive management fee (including the determinations of the Company's equity market capitalization, initial share price and the total return per share of holders of Common Shares) is subject to adjustments if additional Common Shares are issued during the measurement period.
  - No incentive management fee is payable by the Company unless the total return per share during the measurement period is positive.
  - The measurement periods are three year periods ending with the year for which the incentive management fee is being calculated.
  - If the Company's total return per share exceeds 12.0% per year in any measurement period, the benchmark return per share is adjusted to be the lesser of the total shareholder return of the SNL U.S. REIT Healthcare Index for such measurement period and 12.0% per year, or the adjusted benchmark return per share. In instances where the adjusted benchmark return per share applies, the incentive management fee will be reduced if the Company's total return per share is between 200 basis points and 500 basis points below the SNL U.S. REIT Healthcare Index by a low return factor, as defined in the business management agreement, and there will be no incentive management fee paid if, in these instances, the Company's total return per share is more than 500 basis points below the SNL U.S. REIT Healthcare Index.

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The incentive management fee is subject to a cap. The cap is equal to the value of the number of Common Shares which would, after issuance, represent 1.5% of the number of Common Shares then outstanding multiplied by the average closing price of Common Shares during the 10 consecutive trading days having the highest average closing prices during the final 30 trading days of the relevant measurement period.

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- Incentive management fees the Company paid to RMR LLC for any period may be subject to "clawback" if the Company's financial statements for that period are restated due to material non-compliance with any financial reporting requirements under the securities laws as a result of the bad faith, fraud, willful misconduct or gross negligence of RMR LLC and the amount of the incentive management fee the Company paid was greater than the amount the Company would have paid based on the restated financial statements.

Pursuant to the Company's business management agreement with RMR LLC, the Company recognized net business management fees of approximately \$35.9 million for the year ended December 31, 2018, which amount reflects a reduction of approximately \$3.0 million for the amortization of the liability the Company recorded in accordance with generally accepted accounting principles in connection with the Company's acquisition of interest in RMR Inc. in June 2015.

Pursuant to the Company's business management agreement with RMR LLC, in January 2019, the Company paid RMR LLC an incentive management fee of approximately \$40.6 million for the year ended December 31, 2018. In calculating the incentive management fee payable by the Company, the Company's total shareholder return per share<sup>1</sup> and benchmark return per share were adjusted in accordance with the Company's business management agreement to reflect aggregate net increases in the number of Common Shares outstanding as a result of certain share issuances and repurchases by the Company during the three year measurement period ended December 31, 2018.

*Property Management and Construction Supervision Fees.* The property management fees payable to RMR LLC by the Company for each applicable period are equal to 3.0% of gross collected rents and the construction supervision fees payable to RMR LLC by the Company for each applicable period are equal to 5.0% of construction costs.

Pursuant to the Company's property management agreement with RMR LLC, the Company recognized aggregate net property management and construction supervision fees of approximately \$12.2 million for the year ended December 31, 2018, which amount reflects a reduction of approximately \$0.80 million for the amortization of the liability the Company recorded in accordance with generally accepted accounting principles in connection with the Company's investment in RMR Inc. in June 2015.

*Expense Reimbursement.* The Company is generally responsible for all of the Company's operating expenses, including certain expenses incurred or arranged by RMR LLC on the Company's behalf. The Company is generally not responsible for payment of RMR LLC's employment, office or administrative expenses incurred to provide management services to the Company, except for the employment and related expenses of RMR LLC's employees assigned to work exclusively or partly at the Company's properties, the Company's share of the wages, benefits and other related costs of RMR LLC's centralized accounting personnel, the Company's share of RMR LLC's costs for providing the Company's internal audit function and as otherwise agreed. The Company's property level operating expenses are generally incorporated into rents charged to the Company's tenants, including certain payroll and related costs incurred by RMR LLC. The Company reimbursed RMR LLC approximately \$11.9 million for property management related expenses for the year ended December 31, 2018. The Audit Committee appoints the Company's Director of Internal Audit and the Compensation Committee approves the costs of the Company's internal audit function. The amount recognized as expense for internal audit costs was approximately \$0.2 million for the year ended December 31, 2018.

"Total shareholder return" for purposes of the incentive management fee calculation differs from "total shareholder return" presented in the performance graph in the Annual Report because "total shareholder return" for purposes of the incentive management fee calculation has been determined in accordance with the terms of the business management agreement and includes adjustments for Common Shares issued and repurchased and forfeited during the period and other items whereas "total shareholder return" presented in the performance graph is determined in the same or similar manner as each index reflected in the performance graph and does not include such adjustments and other items.

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*Term.* The Company's management agreements with RMR LLC have terms that end on December 31, 2038, and automatically extend on December 31st of each year for an additional year, so that the terms of the Company's management agreements thereafter end on the 20th anniversary of the date of the extension.

*Termination Rights.* The Company has the right to terminate one or both of the Company's management agreements with RMR LLC: (i) at any time on 60 days' written notice for convenience, (ii) immediately on written notice for cause, as defined therein, (iii) on written notice given within 60 days after the end of an applicable calendar year for a performance reason, as defined therein, and (iv) by written notice during the 12 months following a change of control of RMR LLC, as defined therein. RMR LLC has the right to terminate the management agreements for good reason, as defined therein.

*Termination Fee.* If the Company terminates one or both of the Company's management agreements with RMR LLC for convenience, or if RMR LLC terminates one or both of the Company's management agreements for good reason, the Company has agreed to pay RMR LLC a termination fee in an amount equal to the sum of the present values of the monthly future fees, as defined therein, for the terminated management agreement(s) for the term that was remaining prior to such termination, which, depending on the time of termination would be between 19 and 20 years. If the Company terminates one or both of the Company's management agreements with RMR LLC for a performance reason, the Company has agreed to pay RMR LLC the termination fee calculated as described above, but assuming a 10 year term was remaining prior to the termination. The Company is not required to pay any termination fee if the Company terminates the Company's management agreements with RMR LLC for cause or as a result of a change of control of RMR LLC.

*Transition Services.* RMR LLC has agreed to provide certain transition services to the Company for 120 days following an applicable termination by the Company or notice of termination by RMR LLC, including cooperating with the Company and using commercially reasonable efforts to facilitate the orderly transfer of the management and real estate investment services provided under the Company's business management agreement and to facilitate the orderly transfer of the management of the managed properties under the Company's property management agreement, as applicable.

*Vendors.* Pursuant to the Company's management agreements with RMR LLC, RMR LLC may from time to time negotiate on the Company's behalf with certain third party vendors and suppliers for the procurement of goods and services to the Company. As part of this arrangement, the Company may enter agreements with RMR LLC and other companies to which RMR LLC or its subsidiaries provide management services for the purpose of obtaining more favorable terms from such vendors and suppliers.

*Investment Opportunities.* Under the Company's business management agreement with RMR LLC, the Company acknowledges that RMR LLC may engage in other activities or businesses and act as the manager to any other person or entity (including other REITs) even though such person or entity has investment policies and objectives similar to the Company's and the Company is not entitled to preferential treatment in receiving information, recommendations and other services from RMR LLC.

*Share Awards to RMR LLC Employees.* The Company awards Common Shares to the Company's officers and other employees of RMR LLC annually. Generally, one fifth of these awards vests on the date of the awards and one fifth vests on each of the next four anniversaries of the dates of the awards. During 2018, the Company awarded to the Company's officers and other employees of RMR LLC annual awards of 105,800 Common Shares, valued at approximately \$2.0 million, in aggregate, based upon the closing price of the Common Shares on the Nasdaq on the date the awards were made under the Company's equity compensation plan. These share awards to RMR LLC employees are in addition to the share awards made to the Company's current and former Managing Trustees, as Trustee compensation, and the fees the Company paid to RMR LLC. During 2018, the Company purchased 22,999 Common Shares, at the closing price of the Common Shares on the Nasdaq on the date of purchase, from certain of the





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Company's officers and other employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of Common Shares.

On occasion, the Company has entered into arrangements with former employees of RMR LLC in connection with the termination of their employment with RMR LLC, providing for the acceleration of vesting of Common Share awards previously awarded to them under the Company's equity compensation plans. The aggregate value of the Common Share awards the Company so accelerated, measured as of the effective dates of acceleration, was approximately \$0.2 million for the year ended December 31, 2018. Additionally, each of the Company's executive officers during 2018 received share awards of RMR Inc. and other companies to which RMR LLC or its subsidiaries provide management services, including FVE, in their capacities as officers or employees of RMR LLC.

*Leases with RMR LLC.* The Company leases office space to RMR LLC in certain of the Company's properties for RMR LLC's property management offices. Pursuant to the Company's lease agreements with RMR LLC, the Company recognized rental income from RMR LLC for leased office space of approximately \$0.2 million for the year ended December 31, 2018. The Company's office space leases with RMR LLC are terminable by RMR LLC if the Company's management agreements with RMR LLC are terminated.

*Other.* The Company has in the past held, and likely will in the future hold, business meetings at hotels operated by Sonesta, which is majority owned by one of the Company's Managing Trustees, Adam Portnoy, and the remainder was owned by Barry Portnoy until his death and which manages certain hotels owned by HPT, and the Company's Trustees and officers have in the past stayed, and are likely in the future to stay, overnight at hotels operated by Sonesta when traveling for Company business. The Company pays Sonesta for the use of meeting space and related services and pays Sonesta or reimburses the Company's Trustees and officers for the costs of these hotel stays.

*Relationship with AIC.* The Company, ABP Trust, FVE and four other companies to which RMR LLC provides management services currently own AIC, an Indiana insurance company, in equal amounts and are parties to a shareholders agreement regarding AIC.

All the Company's Trustees (other than Jennifer Clark) and all the independent trustees and independent directors of the other AIC shareholders currently serve on the board of directors of AIC and Jennifer Clark serves as president and secretary of AIC. RMR LLC provides management and administrative services to AIC pursuant to a management and administrative services agreement with AIC. Pursuant to this agreement, AIC pays RMR LLC a service fee equal to 3.0% of the total annual net earned premiums payable under then active policies issued or underwritten by AIC or by a vendor or an agent of AIC on its behalf or in furtherance of AIC's business.

The Company and the other AIC shareholders participate in a combined property insurance program arranged and insured or reinsured in part by AIC. The Company paid aggregate annual premiums, including taxes and fees, of approximately \$4.4 million in connection with this insurance program for the policy year ending June 30, 2019, which amount may be adjusted from time to time as the Company acquires or disposes of properties that are included in this insurance program.

*Directors' and Officers' Liability Insurance.* The Company, RMR Inc. and certain other companies to which RMR LLC or its subsidiaries provide management services, including FVE, participate in a combined directors' and officers' liability insurance policy. The current combined policy expires in September 2020. The Company paid an aggregate premium of approximately \$0.3 million for this policy in 2018.

The foregoing descriptions of the Company's agreements with RMR Inc., RMR LLC, FVE, AIC and other related persons are summaries and are qualified in their entirety by the terms of the agreements. A further description of the terms of certain of those agreements is included in the Annual Report. In addition, copies of certain of the agreements evidencing these relationships are filed with the SEC and may be obtained from the SEC's website, [www.sec.gov](http://www.sec.gov). The Company may engage in additional transactions with related persons, including businesses to which RMR LLC or its subsidiaries provide management services.

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## OTHER INFORMATION

At this time, the Company knows of no other matters that will be brought before the meeting. If, however, other matters properly come before the meeting or any postponement or adjournment thereof, the persons named in the accompanying proxy card intend to vote the shares for which they have been appointed or authorized as proxy in accordance with their discretion on such matters to the maximum extent that they are permitted to do so by applicable law.

**Jennifer B. Clark**

*Secretary*

Newton, Massachusetts

April 5, 2019

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*2019 Proxy Statement*

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## THANK YOU

Thank you for being a shareholder of Senior Housing Properties Trust.

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